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SUPPLEMENT

Can Labor Sit in the Office?

Sociological Aspects of Union-Management Cooperation

BY GOETZ A. BRIEFS

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Notes on the Contents

The Lost Answer. Dr. Jordan is President of the National Industrial Conference Board. In this speech he goes forward with a great nostalgic theme.

The Charter for a Planned World. AMERICAN AFFAIRS has followed the ITO in its travels from Washington, where it started, to London; from London to New York, where it was rewritten; from New York to Geneva, where it was rewritten again; and from Geneva to Havana, where at last it was signed by fifty-three nations. This article is an analysis of the final draft.

Confusion of the Planners. This is a review of the book entitled "Ordeal by Planning," by Professor John Jewkes. But it is more than a book review. It is news of what planning has done to Great Britain.

Defense in the Dark, by Senator Henry Cabot Lodge, Jr., and *Spending America,* by Senator Harry F. Byrd, are two notable and foreboding speeches that were neglected in the news.

The Right To Strike. Professor Frank T. Carlton is emeritus professor of economics at the Case School of Applied Science, Cleveland. He has written a great deal on the subject of labor relations and is a member of the American Association for Labor Legislation. Among his book titles are these: "Education and Industrial Evolution," "The History and Problems of Organized Labor," and "Organized Labor in American History."

Other News of China. Dr. Roscoe Pound, formerly dean of Harvard Law School, wrote the AMERICAN AFFAIRS pamphlet entitled "Administrative Agencies and the Law," calling attention to the trend toward "administrative absolutism" in the United States. He has been in China since 1946 helping the Chinese Republic to reform its judicial system. His views contradict much journalistic writing about China and will not lightly be discounted.

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*

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Comment

By the Editor

WHEN the historian begins the chapter on how the United States became in fact a European power he will have to construe the Marshall Plan; and he will have at least the advantage of perspective. The Marshall Plan was not a plan to begin with. It was an atmospheric idea suggested by a single paragraph in a somewhat dull summer night's speech by the Secretary of State in New England. What he said was that the United States was willing to go on doing what it could afford to do toward the restoration of postwar Europe, but from running here and there to meet cries of national distress and spilling out its wealth in a random manner the results so far had been disappointing. If Europe would regard itself as a whole, take stock of its own resources and resolve to utilize them fully, it could certainly do much more to help itself; and if it did that and there was still a temporary deficit the United States would feel obliged to help in a general way. The American reaction to this idea was passive, since it satisfied both those who felt that we ought not to let Europe down and those who were thinking that American aid ought to be reexamined with a sense of economic reality. But the European reaction was extraordinary. The British Prime Minister hailed it as an event unprecedented in the history of human affairs and rushed over to Paris to arrange a conference of European nations on how to make the most of it. So it was that in a few days our Marshall Plan, so named in Europe, was returned to us from London and Paris as top news of the world. The State Department was a little dazed and began to say there was no Marshall Plan; there was only the idea that the nations of Europe could if they would evolve a cooperative scheme of recovery which would make them less dependent upon dollar imports, and to this the United States would contribute aid in a rational manner, but only and always for the purpose of helping Europe to help herself. In this first phase the Marshall Plan had no military or political significance whatever. Proof that it had none was the fact that it was open to all European nations alike, including Russia and her

satellites. All were invited to come to Paris and write up their needs for American aid in one grand balance sheet. Mr. Marshall said: "Our policy is directed not against any country or doctrine, but against hunger, poverty, desperation and chaos." Further proof that it had no military significance was the fact that the European Recovery Program, submitted to the State Department by the sixteen Marshall Plan nations, was entirely devoted to the economics of recovery. In fact it went beyond recovery and contemplated the use of American aid for magnificent expansion. The sixteen Marshall Plan countries said to the State Department:

"The production expansion which is envisaged by 1951 is similar in general scale to that achieved by the United States in the mobilization years 1940 to 1944. It . . . will restore agricultural production to the prewar level, and it will carry with it a significant expansion of mining and manufacturing production beyond the levels which were ruling in 1938."

Nor in this phase of the Marshall Plan was the State Department thinking, or at least talking, of anything but the economics of European recovery. The economic collapse of Europe would be a world disaster. If American aid could avert that dire event there would be at the same time, very happily, a collateral result in which we were bound to be selfishly concerned. That was to say, giving this aid to Europe would help to sustain prosperity and high employment in this country.

THE second or political phase of the Marshall Plan developed when the State Department began to sell it to the Congress and to the people. It became then a plan to stop Soviet Russia in Europe. Events had provided the materials for this pattern. Soviet Russia and her satellites had departed in a huff from the first Marshall Plan conference in Europe. That left what are now the sixteen Marshall Plan countries, all on the western side of the Iron Curtain and all fearful of Soviet Russia. Then not only Soviet Russia but the Communists in the sixteen Marshall Plan countries took an aggressive line against the Marshall Plan, calling it American imperialism. During this second phase the thesis was that the way to stop the tide of communism in Europe was to build up the Marshall Plan countries.

They might have Socialist governments, they might be themselves anticapitalist and Marxian, but they feared Soviet Russia; and if we made them economically strong, helped them to raise their standards of living and got them back to high production, they would be less likely to embrace communism. In its next phase the Marshall Plan became a bargain in alternatives. It was either that, no matter what it might cost, or a rearmament program which would make an armed camp of the United States and cost a great deal more. On a certain day, representatives from the State Department and from the Armed Forces all with one accord began to say this before committees of Congress, and Congress was persuaded. So ten months after Secretary Marshall made that summer night's speech in New England Congress passed the Foreign Assistance Act of 1948 and gave the Marshall Plan for the first time an official name. It is the Economic Cooperation Administration. It has a law of its own, an administrator, responsible only to the President, with power to make decisions affecting the destinies of sixteen European nations; its own ambassador-at-large; and free command of American resources representing the continuous labor of perhaps two million people.

THE next phase of the Marshall Plan was military. With the news that Marshall Plan ships were already at sea with Marshall Plan cargoes for the Marshall Plan countries came the news that nevertheless it now was imperative to increase the striking power of this country's armed forces on the land, on the sea and in the air, not only for national defense but in order if need be to defend the sixteen Marshall Plan nations against Russian aggression. This was very earnestly urged by those who had said before that the Marshall Plan was the alternative. The President now said:

"The heart of our support is economic assistance. To be effective, it must be coupled with sufficient military strength to give the free peoples of the world some sense of security while they rebuild."

The last phase follows naturally. It is represented by the thesis that since we are making this large investment of American wealth in the Marshall Plan countries we are in common sense obliged also to give them the arms they may need to defend themselves against Soviet Russia, for in defending themselves they will be at the same time defending the United States and its investment in Europe, which otherwise the Russians might capture.

As Seeley said that Great Britain acquired an empire in a fit of absentmindedness, not really intending to do it, so the historian beginning his

chapter on how the United States became in fact a European power, and not a white knight in armor who came and went away, might say that the Marshall Plan just happened; and this, one may suppose, would make sense enough for history, since a lot of history is by wind and tide. But if he should have the text of the Foreign Assistance Act of 1948 and read it carefully, he would be bewildered by the fact that the Marshall Plan, which puts the United States in Europe to stop Soviet Russia, is open also to Soviet Russia. She is still invited. The law reads that the term "participating country" shall include of course the sixteen Marshall Plan countries and then —

"any other country wholly or partially in Europe, together with dependent areas under its administration, provided such countries adhere to a joint program for European recovery designed to accomplish the purposes of this title."

That seems to leave the initiative with the Russians. Then of course the historian would go anxiously on to find out whether Soviet Russia did come in, and what happened if she did. On his way he might turn up a copy of the *Congressional Record* and find the debate in which the derisive and taunting comments of the Communists were quoted as a reason why we could not afford to higggle over a billion more or less to be appropriated for the Marshall Plan and so risk disappointing the expectations of Europe. Senator Barkley said: "Every Communist paper in Europe has blazed with headlines and has been quoting Soviet Foreign Minister Molotov as saying that at the critical juncture the United States will run out on Europe."



COMMUNISM and socialism have these things in common: first, the enemy, which is capitalism; secondly, the doctrine of class struggle; thirdly, one devastating emotion, which is hatred of the rich; and fourthly, the hypnotic word *democracy*. Their three principal aims are the same, namely, to redistribute wealth from the top downward, to abolish private property in the means of production and to create an economy entirely planned and controlled by the State. The points of difference between them are, first, that the Socialists do not prefer violent methods, and second, that the Communists have also a revelation. They teach that beyond the world of socialized plenty there is a machine heaven where all the satisfactions of life will be as free and as divisible as the air, without money or price—"from each according to his ability and to each according to his need." Socialism, therefore, is communism

without the apocalyptic vision. On these definitions even the doctrinaires agree. It follows that although the political mentality now controlling Europe may be divided between communism and socialism it is undivided in its sense of enmity toward capitalism. This fact was very embarrassing for the Marshall Plan. For a while it was officially ignored. Still there it was that the principal beneficiary would be the Socialist Government of Great Britain and that if the Marshall Plan saved England it would save at the same time the foremost Socialist experiment of Europe, outside of Soviet Russia. Why should American capital be used to underwrite anti-capitalism in Europe? Then the news became troublesome. Hugh Dalton of the Executive Committee of the British Labor Party and formerly Chancellor of the Exchequer in the Socialist Government of Great Britain, boasted publicly that the governments of all the sixteen Marshall Plan countries were "completely or principally socialist"; and Mr. Spaak of Belgium, one of the eminent Socialists of Europe, was elected President of the Council of the Organization for European Economic Cooperation, which represents the Marshall Plan countries vis-à-vis the Administrator in Washington. The official answer was that it was democracy, not socialism, we were defending in Europe. To make that answer hold it was necessary to identify democracy with socialism. In the introduction to a series of monographs entitled, "The European Recovery Program," the State Department said:

"Socialist influence is predominant in some CEEC countries and strong in most. While there are many shades of Socialist thought, it favors in general a greater degree of social planning and economic control than is accepted in this country. Some measure of the economic control now imposed in CEEC countries, including the nationalization of various enterprises, is due to economic theory. Some measure of it has been made necessary by continuing war-caused shortages, and will be relaxed as normal supplies become available. The Socialists who advocate social planning and economic control, in contrast to competitive private enterprise, nevertheless believe firmly in the democratic process and the fundamental freedoms of speech, press, assembly, and worship and in the rights and dignity of the individual. They are consequently among the strongest bulwarks in Europe against communism."

Note that what Socialist thought favors in general is only "a greater degree" of social planning and economic control than is accepted in this country, and as a reasonable person you are supposed to understand that a difference of degree is not a matter of principle. This defense of socialism as a "bulwark of democratic processes" and the "fundamental freedoms," by the State Department, has become a text for Socialists. "Words are the most powerful drug used by mankind," said Kipling. Much that we

know about the hypnotic word we got from the Communists and anything more we need to know we may learn from them.



THE delusive purchasing power theory derived from John Maynard Keynes—the theory, namely, that the cause of poverty is that people have not the money to buy what they want—now is implicit in global thinking. The economic assumptions of the European Recovery Program lean heavily upon it. Great Britain's production now is greater than ever before in her history, yet she has been facing bankruptcy for want of dollars. Why? You will find the answer and also an explicit statement of the purchasing power theory in "Britain and World Trade—A Report by PEP." The initials stand for Political and Economic Planning, which is the name of an organization that now represents in Great Britain the high cult of pure planning. The world, it says, is suffering from a maldistribution of purchasing power among the nations, but alas!—"the world has not, like a single nation, a central authority able to maintain internal purchasing power and to redistribute it to those who will use it." Certain United Nations agencies, such as the Monetary Fund and the International Bank, may do a little to redistribute the purchasing power of the world, but very little, and not nearly enough to affect the "gross anomalies"; and "unless and until this maldistribution is corrected the full recovery and expansion of world trade will be impossible and rich and poor alike will suffer." So what shall be done about it? This is to ask simply, how is the purchasing power of the world going to be redistributed from rich nations to poor nations? Here is the answer:

"In the absence of a world financial authority with adequate powers, a great responsibility therefore rests on the countries which are financially strong—and this means, above all, that Samson-cum-Croesus, the United States—to pump international purchasing power into general circulation, first by a bold and liberal policy of international lending, ultimately by purchasing a great and sustained volume of goods and services from the rest of the world."

For how long shall the United States "pump international purchasing power into general circulation" by a "bold and liberal policy of lending"? Answer: Until ultimately. Then ultimately what happens? Then we go on pumping international purchasing power into circulation by buying from the world a "great and sustained volume of goods." When the measuring worm comes to the top of the stalk and finds nothing there but space, what saves the meaning of his work no doubt is a worm's word for

ultimately. So the mind of the planner works. Purchasing power is an abstraction. What is it this Samson-cum-Croesus now is pumping into the world stream? Not purchasing power, not money, not dollars, but wealth, tangible wealth, produced by our own labor in the fields, factories and mines; the quantity of it is expressed in dollars because there is no other way to express it. But obviously we cannot go on doing this forever. Therefore, according to the planners, a time comes, ultimately that is, when we say: "Enough. We stop. And now, world, you pump your wealth to us and as you do it we will give you dollars for it in order to sustain your buying power." Waiving all other questions, what will happen in that case to the high pressure American pump? Will it go to low pressure duty? The planners say that ultimately the trade of the world will be so great and so much better balanced that everything will come out all right. This again is space at the top of the stalk. It is not trade they are thinking about to begin with. The free exchange of goods among nations is a way to increase the wealth of the world; it is not a way to bring about a redistribution of wealth among nations; and PEP says that unless the wealth of the world is redistributed "the full recovery and expansion of world trade will be impossible." Planning, nevertheless, is wonderful. You have only to get it in focus. PEP's "Britain and World Trade" is a planned book, and it takes 200 pages to compound a single thought that now controls the mind of the world. The thought is that the United States is too rich and must somehow be persuaded to share its wealth, since there is no way to take it by force and since there is yet no international authority with power to redistribute it. Sir Stafford Cripps, British Chancellor of the Exchequer and Minister of Economic Affairs, says it with brevity:

"On the present basis of world production and consumption there is a balance of production in the United States of 12 to 13 billion dollars a year which must, however, be transferred somehow to the rest of the world. . . ."

A redistribution of wealth that *must somehow* be made is not trade.

✍

WRITING in *Human Events*, William Henry Chamberlain says American capitalism, British socialism and Soviet communism are the three competitors in a race to capture the mind and imagination of the world. What a race that is! If the Olympian gods had arranged it as a sporting event one might understand the conditions, for they were a whimsical lot and had the power to impose delu-

sions on the human mind. One of the conditions is that in order to win the Capitalist runner must share his strength with the Socialist; another is that as he runs he must hear from his own bleachers jeers for himself and cheers for the other two.

✓

THE voice of what calls itself American liberalism echoes back from the Kremlin and makes headlines in the *Daily Worker*. Its constant theme is the crisis of capitalism. The strength of communism here, it says, is the social failure of American democracy; the answer to communism is not to combat it but to heed its indictment of American life and reform it accordingly, economically, politically and spiritually. From the pulpit a church liberal cries: "Russians have a design for living. Have Americans?" The Russian design for living is such that if one in Russia should say:—"Americans have a design for living. Have the Russians?"—he would be purged for treason. *The New York Times* says:

"We may think of these events in terms of a contest of ideas, each major idea with power behind it—and in the case of the United States a power that is being determinedly increased. But we may also regard what is happening as democracy's attempt to recover from a sickness that almost killed it. . . . It was not the strength of nazism or fascism that made Hitler strong and Mussolini apparently strong. It was the weakness of democracy. It is not the strength of communism that has been a menace to Western Europe since 1945. It is the weakness of democracy."

Therefore, *The Times* concludes, democracy needs "a new affirmation, a new faith." But the weakness of Western Europe since 1945 has been the weakness of socialism, not democracy. As for the United States, wherein is this weakness, seeing that every Socialist government in Western Europe, Great Britain first of all, is holding out its hands to this country, begging to be saved? To the voice of disaffected liberalism now is added a fatuous common voice that may be heard even in the market place, saying over and over that to overcome communism we must demonstrate the superiority of American democracy. If the superiority of the American system and the American ethos has not been demonstrated beyond any imaginable degree of comparison then the dialectical insanity of the world may be called hopeless. The American liberals who say that in America as it is there is not more freedom, more security, more justice, a higher standard of common welfare and more hope of perfectibility than in any other country are really harder to understand than the Communists who nest comfortably in the political body of the host

they intend to destroy. The Communists do at least correspond to things we may discover with loathing in nature, like the hagfish that enters the body of its victim, devours it from inside and is found by the horrified fisherman with its live head protruding from the dead mouth of a skeleton. But there is no counterpart in nature of the liberal who, though he belongs to the political body thus invaded and has freedom and immunity there, nevertheless finds that there is much to be said for the point of view of the hagfish. For what it is worth there may be some satisfaction in the thought that if the hagfish wins this liberal himself will be its last and most delicious morsel.



THE Department of Economics of the United Nations notes progress in the art of Managed Equilibrium. It says:

"The origins, behavior and treatment of both inflationary and deflationary processes are better understood today than in the past. In order to create conditions of stability, maintain full employment and promote economic and social progress and development, there may be required drastic governmental action of a kind that in some countries has heretofore not been regarded as appropriate during peacetime. Some governments have already taken vigorous measures; others are considering such measures; and all Members of the United Nations have pledged themselves to take action for the achievement of conditions of stability and well-being."



AS there is a federal pure food law, so there is a pure securities law and a Securities and Exchange Commission to administer it. Anyone intending to sell stocks or bonds to the public must first file with the Securities and Exchange Commission an acceptable analytical statement, and the printed label must tell the investor everything he ought to know about the ingredients. If the label turns out not to be honest, there are heavy penalties. Moreover, artificial coloring matter is strictly forbidden. In the case of securities, artificial coloring matter would be manipulation of market quotations to make a new thing look attractive. The Federal Government of course is exempt. When it sells bonds to the people it may say anything it likes about them; and if it misrepresents them, as it once did—selling people with one hand a gold bond while with the other hand it was writing a repudiation of

the gold clause—there is nothing anybody can do about it. So also the states and municipalities are exempt. But now comes the International Bank for Reconstruction and Development asking for exemption on the ground that to comply with the law would be too burdensome and might embarrass or restrict the sale of its bonds to American investors; and it asks particularly to be freed from that part of the law which forbids the use of artificial coloring matter—this on the ground that:

"Because of the large amount of securities which the Bank may ultimately issue and the operation of the amortization and redemption provisions of its loans, the Bank may frequently find it necessary or advisable to purchase and also to sell its own securities, while at the same time it may be preparing for a public offering of its bonds. Furthermore, the Bank may quite properly find it advisable at times to stabilize the market for its bonds."

The Secretary of the Treasury and the National Advisory Council on International Monetary and Financial Problems have endorsed this request, and Congress has been asked to amend the pure securities law accordingly. So then it will stand that the old natural law, which was "let the buyer beware," is repealed only in the vanishing jungle of private finance.



THE Office of Small Business of the Department of Commerce has issued a pamphlet on how to beat the income tax, in a perfectly legal manner of course, only provided you know how. In its regular *Bulletin of Commerce*, the Department calls attention to the pamphlet, says it was reviewed by the Bureau of Internal Revenue, which makes it airtight, and that it deals exclusively with the case of a small business owned by either a sole proprietor or by a partnership, and adds:

"The federal income tax law permits a business enterprise to reduce its tax bill by using an operating loss in one year as an offset to income in the two immediately preceding and two succeeding years. If you have a large loss in a given year, you may be able completely to wipe out your income tax in these four years in addition to the loss year."

Question: Does the Bureau of Internal Revenue leave that out of its instruction chart, or does the Department of Commerce assume that the small businessman would be unable by himself to see it?

. . . he intends only his own gain; and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.

—Adam Smith

Winds of Opinion

For the last ten years our government has been apologizing for our system of government.—*Senator Taft.*

The immoral companionship of prosperity and war may have blinded some of us to the realization that all war ultimately is a process of destruction.—*General Omar N. Bradley, Chief of Staff of the Army.*

We know that technological stagnation surrounds us—some of it due to government, some of it attributable to business practices, some of it chargeable to labor. The signs and effects are here in America as well as in Great Britain.—*William J. Kelly, president of the Machinery and Allied Products Institute.*

At least 5,000,000 decent, idealistic, good Americans will vote the way the Communist Party wants them to vote for their new third party next November. The result will be that the Eighty-first Congress may well contain for the first time in our history a disciplined group of legislators, who, unwittingly or wittingly, will be following the leadership of a foreign power.—*Cecil B. DeMille.*

Preparedness is relative, not absolute; there are degrees of preparedness. Before the Second World War this nation had a navy equal to any and the best long-range bomber in the world; the National Guard had been federalized, conscription had started, and the factories of the country already had commenced the manufacture of war orders. Nevertheless, we were of course “unprepared” for the war that developed. We shall always be similarly unprepared; for there is no such thing as absolute preparedness and it is futile to strive for it. Germany, for instance, was prepared for the Polish campaign, but not for the war she got. Not even totalitarian states—much less democracies—can indulge in the luxury of absolute preparedness in time of peace. Complete preparedness is a will-o'-the-wisp; it has led any country which attempted to achieve it to destruction.—*Hanson W. Baldwin, in Foreign Affairs.*

When and if the super-air age, the age of the super-super blitz, comes, and important segments of the world's commerce go aloft in the “new sea,” nations which wish to survive must apply the solid and still applicable principles of Admiral Mahan's

sea power to the control of that new sea. Then we shall find that what control of the Mediterranean meant to the nations of the ancient world, control of the “air-sea” over the pole will mean to us. The Arctic cannot help but be the hub of world power.—*Colonel C. S. Clabaugh, of the Industrial College at Washington, lecturing on Economic Mobilization.*

I hope somebody will save this country from some of the people in it who are trying to save the world.—*Representative Frank Matthews of New Jersey.*

I don't see why we shouldn't have a pure food and drug bill for politics as well as we do for food. What goes into people's heads is just as important as what goes into their stomachs.—*Adolf A. Berle, chairman of the Liberal Party.*

When the great campaigns to unionize American industry were launched in the middle thirties, skilful Communist organizers were put on the payrolls. They represented the new labor movement. They performed great feats of organization, with the assistance of government officials and boards. And when the smoke of battle had cleared, they were in possession.—*Leo Wolman.*

Brains, property, and character for the Negro will settle the question of civil rights. The best course to pursue in regards to the civil-rights bill in the South is to let it alone. Let it alone and it will settle itself. Good schools, teachers, and plenty of money to pay them, will be more potent in settling the race question than many civil rights and investigating committees.—*The late Booker T. Washington, Negro educator.*

The Marshall Plan has destroyed the last ties between Western socialism and communism and transformed socialism into a spearhead of the movement for European union.—*Count Coudenhove-Kalergi, before the Institute of Public Affairs, New York University.*

It is not rational to expect American behavior from alien ideologies.—*Ralph Chaplin.*

May I remind the American people of this important fact: In 1917, when the Russian Revolution occurred and the Bolsheviks came into power, there

was only one Communist in Russia for every 2,277 Russians. Today in America we find one Communist for every 1,814.—*Senator Scott W. Lucas.*

The conflict between Russian despotism and Western democracy seems to be everlasting in the Balkans. Those who are working for the survival of democracy in Europe must introduce European arts, sciences, justice, liberty, and the spirit of independence into the Balkans.—*Karl Marx, in a letter 100 years ago to The New York Tribune.*

When we come to speak of Franklin Roosevelt we enter the sphere of British history and of world history, far above the ebb and flow of party politics. In his life and by his action he changed decisively and permanently the moral axis of mankind by involving the new world inexorably and irrevocably in the fortunes of the old.—*Winston Churchill.*

But it is obvious that to prevent the spread of an anticapitalist system by an act of colossal charity, which is more contrary to capitalism than communism itself, is a queer enterprise. To defend capitalism by negating it is the politics of Alice in Wonderland. The Americans are vaguely conscious of the contradiction, and it causes them much mental distress.—*J. Middleton Murray, in Adelphia.*

The effect of ERP on American institutions is not confined to the amount of money involved. There is an even more dangerous threat in the character of the administrative setup. For the future of the Republic, the issue of how ERP is run is more important than the amount it spends.—*Felix Morley.*

It is not the atomic bomb but the food crisis that may destroy us. In the race between population and food, population is winning—and we do not know how to stop it.—*Sir John Boyd Orr, retiring director general of the United Nations Food and Agriculture Organization.*

Assume that the whole cultivated area of the earth were used for a single species of grain, say wheat, and that it produced a yield corresponding to what is attained on the average in the best managed agricultural countries. The total harvest would then give a sufficiency of calories to supply the needs of a population approximately two thirds the present population. The food position of the world

is extremely grave. It is pure illusion to suppose that the difficulties may be remedied in the next few years. It is certain that food shortage will under all circumstances be acute in the larger part of the world for many years to come.—*Professor Ernst Abramson, State Institute of Public Health, Sweden.*

In the years between the wars it is now clear that Britain was living beyond its means—that is, beyond any means that it could permanently rely on. Now, with all the added dislocations and destructions of the war, the problem is far graver. Without a mighty effort of self-analysis and regeneration, Britain will find itself dying beyond its means.—*The Economist, London.*

The trouble is that we have nationalized so much of our industry that there are not enough private firms to pay for the deficit.—*Soltan Vas, economic dictator of Hungary.*

The liberation of man from authority is the great feature of Western civilization of the last 500 years. The modern world is the result of this new liberty to pursue every kind of knowledge, to apply knowledge, to take part in government, to compete for wealth. The still more recent reaction against liberty—a reaction not only away from democracy but within democracy—is a measure of modern man's abuse of his liberty.—*M. V. C. Jeffreys, Birmingham University.*

All knowledge has become dangerous; for knowledge means power, and power can be used to degrade as well as to ennoble life of man. Indeed, I believe that if the social sciences were developed as the physical sciences have been, we might have a weapon which, in unscrupulous hands, would be as deadly as the atomic bomb.—*Dr. Raymond B. Fosdick, president of the Rockefeller Foundation.*

In every convention of bankers that I attend, government is soundly berated by one or more speakers for meddling in business and competing with banks, and yet it seems such a short while ago that I, with many of my banking friends, was sitting on the doorsteps of the RFC or the HOLC, or perhaps both.—*T. Howard Duckett, president of the Maryland Bankers' Association.*

Two musicians discussed a little bit of harmony. I told him some day when he has time, I'll play the trumpet and he'll play the piano and we'll play "The Rosary."—*James C. Petrillo, after calling on President Truman.*

The Lost Answer

**By Virgil Jordan*

FOR a bit more than the full generation since THE CONFERENCE BOARD was founded in 1916, this country of ours has had to spend a good part of its time and wealth answering questions about freedom or truth propounded by some one of the world's jesting Pilates who have helped crucify it from time to time, answering one or another of the endless isms—Kaiserism, Hitlerism, Fascism, Shintoism or Communism—which have sprung up periodically and persistently to plague it. The three decades of "Ask The Conference Board" have been the decades in which the world has thrice dared to "Ask America" such questions without waiting for an answer. For more than thirty years it has been acting mostly as end-man in the grim minstrel show of Mars, as the international answer-land in the planetary "Information Please," the global tragedy of truth or consequences which has so largely occupied our generation on the world's stage.

When this week end [Decoration Day] we commemorate the sacrifice of those sons and brothers of ours who have fallen or suffered in the effort to answer these questions, we should ask ourselves whether we have carried away any prizes from these catastrophic quizzes, apart from the frail flower of safety which we have plucked from the nettle of danger so often at the last moment. Can we exhibit any wisdom won for ourselves out of this colossal contest of conflicting truth which we have carried on so long with the rest of the world? Do we, indeed, know any of the answers to the questions it has put to us, since our reply to them has so far been mostly in terms of force to the utmost and at the last minute, which has settled none of them, so that we have always had to meet them again at the next turn of the road?

If we forget the past and look only at the latest, though not the last or least, of the questions to which the world now awaits our answer, it is clear we cannot longer avoid asking ourselves such things; for the questions that have been put to America since the Kaiser asked his in 1917 have been getting better and better, or harder and harder, and this one which we face today will not take for an answer what we gave thirty years ago, or even last time. If it were merely the Mister Bones, called Uncle Joe, that were asking, we could have given him a sufficient answer any time in the years since Hiroshima.

* A speech at the Dinner Session of the Thirty-second Annual Meeting of the National Industrial Conference Board, May 26, 1948.

But we are no longer sure who is asking the question or what it is.

The whole world is asking us something now, and it is something about ourselves. It comes to us from all points of the intellectual and political compass, borne on all the diverse and shifting winds of doctrine, in the double-tongued babel-language of democracy that makes the mental and moral atmosphere and the political climate of our time. Above all, many of us in America are asking the question of ourselves today, and we are dimly aware that dropping a few atomic missiles on the Kremlin and other caves where the Communist monster lurks will not answer it, because it has its lairs in America, too, and all of us carry some of its poison in our minds or hearts.

WHAT we call Communism is an idea, an attitude, a state of mind, a way of thinking and feeling about government and its relation to men's life and work, which millions—perhaps most—share in some measure and in some of the myriad forms and names under which it has spread itself over the planet like an epidemic disease of the spirit. In the deepest sense, perhaps, like the many types of devil-worship that have appeared in the world's history, it is the expression of or compensation for the weaknesses, the failures or the frustrations of the individual human spirit under the overwhelming pressures, burdens and dangers of life among the immense masses and the massive mechanisms of modern society. Though it may peep out only briefly at moments in some aspect of our political or economic life, we can be sure that all of us, even the best, bravest and strongest, bear a bit of the Bolshevik in our breasts, ready when things look bad and the going is hard to bid us unload some of the burden on somebody else, and make us dream of the blessings and benefits of resting awhile on the bosom of the benevolent government bureau, and passing our problems on to the omnipotent, omniscient providential State—all at such a trifling price and such a slight, and always temporary, sacrifice of freedom.

The spirit of evil, error, indolence and cowardice from which Communism sprang has always been there, as that of Naziism was, widespread among us, as among others; and now, as in the case of Hitler and Mussolini, and with perhaps even more prac-

tical justification, we have embodied and personified it in a nation and a group, and are hoping to exorcise it, to cast it out from among ourselves by overthrowing or destroying the image of it we have made, as the Australian bushman hopes to remove his enemy through black magic, by killing it in effigy. Of course, in this nation or in the group in which the evil spirit of Communism is now personified, we have a physical and material enemy against which we must be ready to defend ourselves by every means we can command. But as we prepare to make that kind of answer there are several things we should not let ourselves forget.

One of them is that we ourselves—or at least those to whom we entrusted the responsibility in the past fifteen years, have shaped or helped to shape the form and power of that image which embodies the menace of Communism against which we defend ourselves today. In that respect I doubt that the history of any other country can show a record of such incompetence, confusion, waste, futility and failure in the management of its international military, political and economic relations as our government has exhibited during and since the war. By the decisions made at Yalta, Teheran and Potsdam, it not only caused the colossal war effort the American people made in answering Naziism to be completely wasted, but it gambled or threw away their security for the future with a reckless indifference that has no parallel.

THERE was in these decisions and policies something more than mere stupidity and blundering; there was almost criminal betrayal or disregard of some of the fundamental principles and standards of liberty, justice and truth upon which America's life has been based in the past, and which we then professed and now again profess to be defending in the rest of the world. We are responsible for the Morgenthauizing of Germany; for having allowed our Allies—the Czechs, Poles and Russians—to drive millions of people from their homes in Eastern Europe; for having agreed to let our Allies keep millions of prisoners of war as slave laborers, and handed our own over to the French to kill by overwork and starvation; for having applied and confirmed the Commu-Nazi totalitarian principle of collective guilt and punishment by the Nuremberg trials, and sanctioned looting and slavery under the name of reparations. In 1945 we had won a victory that destroyed our Nazi enemies and had the full power to make a just and lasting peace, but we gave the command of Europe to totalitarian Russia by the concessions we made to Stalin's ruthless ambition and greed, by betraying our weak Allies and

delivering them with the defeated small nations into Communist power.

Since the consequences of these things constitute the question America is called upon to answer today, what kind of answer can she make? Most of the men responsible for helping to shape the question which these things now put to us are still living and many of them in public office, yet hardly anyone thinks of holding them to any kind of accountability, of condemning or even criticizing them for this record of folly and failure and weakness which has meant such colossal catastrophe for America.

Yet all of the painful problems America faces today in answering Communism—inflation, crushing taxation, the return of war controls, rearmament and remobilization—are the offspring of that record and of the delusions behind it, not merely of bad luck in those we happened to employ to carry them out. It may be too much to say, as Beard suggests, that if we hadn't had the New Deal we wouldn't have had the Second World War; but it is probably true that without the New Deal we wouldn't have lost it. If we hadn't believed so much in the magic of government money, in the delusion that dollars would buy anything and everything, including freedom, peace, prosperity and security for the rest of the world, we wouldn't have flunked out in our last answer to totalitarianism.

WE should not only remember that we have had a large part in framing the menacing question of Communism to which we are now compelled to prepare a reply in terms of arms; before we shall be able to give any true answer to the deeper question in it we shall have to remind ourselves how much of our own image is mirrored in it. Are we preparing to fight the evil or the error in it because we believe they are bad or because they are done by another nation? It is easy to slip into the totalitarian habit of denouncing wrong when it can be ascribed to others and justifying it when it is our own, and this may be a good or necessary way to make people hate an enemy, but it does not enable a nation to answer the question we now must put to ourselves.

There is an American answer to Communism; but it has been lost or forgotten somewhere amid the confusion and folly of the road we have followed in the past fifteen years; it has not been heard in what America has said or done about it at home or abroad in the past few years; and it is not being given now, in what we are planning to do in the European Recovery and Rearmament Program. All these have been and are still the dusty answers of political expediency and compromise, the age-old answers of appeasement or postponement or appeals to cupidity, to fear or to the appetite for power at home or

abroad. If that were the immediate and essential issue—if that is what America believed in and hoped for, the outright and unlimited use of all her force and the power of her atomic weapons to compel and maintain permanent disarmament of Russia and Europe would be part of the American answer to Communism in the rest of the world; but even that part has now been lost or obscured in the confusion and compromise and procrastination that has shaped our national policies and the thought of the American people in recent years.

Having failed that, it would still be within the frame of the American answer to require the restoration of something resembling economic freedom as an appropriate compensation for American effort to aid and support the rehabilitation and reconstruction of Europe, or for American military protection. One might suppose it would be clear by now that every kind of compulsory collectivism, all the forms or shapes of Socialism that now exist in every country in Europe, are merely way stations on the single track road to Communism, and that every subsidy by which they persist preserves and strengthens the basis for Communism. Yet today it is an accepted principle of our public policy that the economic and military support of Socialist governments and Socialist economies in Europe, and anywhere in the world (except possibly in Russia) is almost the whole of the American answer to Communism; and there is little to indicate that the American people think there is any other, or remember that there ever was.

THERE is an American answer to Communism, but who would have imagined—to take a random example—that at this moment the proposal from one of the largest and most conservative labor organizations in the country to nationalize the railroads would be part of that answer, when it has been plain from the experience abroad and from all evidence of reason that such action alone would open wide the door to total collectivism, the door through which there has never been any return, above which is written in the history of every nation—“all hope abandon, ye who enter here.”

It would appear that in the past decade and a half the American economy, and along with it the American mind, has been so profoundly governmentalized and internationalized by dependence upon the apparent or immediate benefits or advantages of some form of public expenditure and control, at home or abroad, that while economic freedom and private enterprise continue to be popular subjects for sentimental speeches, and slogans for advertising and educational campaigns, or for the preamble of bills designed to destroy

them, they are actually beginning to be considered and openly discussed as dangerous and subversive ideas—almost as insidious poisons, as you may realize when you ponder this passage from a recent leading editorial in one of the great American newspapers:

“Our capitalism is adulterated or mitigated (according to one’s point of view) by innumerable restraints on management, on labor, on investment, by taxation which puts a large part of the national income into the hands of the national government, and by a social security system, still in its infancy, but bound to grow. The government itself is in business through such agencies as TVA, the RFC, the Panama Canal, the Export-Import Bank, and so on. *But the prevailing ideal in the United States is to allow as much freedom of enterprise as is possible without obvious damage to the common welfare.*”

The inference is that when it comes to answering Communism, this is too dangerous medicine to use. Anyway, those we are trying to protect abroad are taking no chances with it, as the editorial continues:

“In most of Europe and perhaps all of Asia we have to admit an opposite tendency. To some extent the circumstances under which ERP is being, and has to be, administered encourages this opposite tendency. There is inevitably a great deal of government control which can hardly be distinguished from state socialism. We may not welcome this development. Some voices have been raised against a policy of granting or lending funds to build up socialistic governments. And it is indeed unfortunate if the individual opportunity possible under a relatively pure system of free enterprise is diminished for the sake of greater security; some of the adventure and richness thus passes out of life.

“Nevertheless, we have to realize that we cannot make over the rest of the world in our own image. We have a right to insist that whatever is done shall be done democratically, so that whatever policies are voted in can be voted out again if a majority of the electorate so desires. It is the democratic system that counts, not the good or bad results it produces.”

Thus to many ardent crusaders for democracy and freedom abroad it has become mainly or merely a matter of electoral machinery, of freedom to choose, by secret ballot, direct primaries, or the latest voting machines, the particular form of slavery, the special cocktail of controls and subsidies which seems most convenient or comfortable or fashionable at the moment. Liberalism, in which of course all the best people believe, has become any policy which promotes more liberal spending of public money and more state control of individual initiative, effort, enterprise, income, savings, investment and consumption; and it sometimes seems as if what we and most of our European allies against Communism object to in it is mainly its bad man-

ners, disagreeable customs, its curious habit of collecting wrist watches, its unpleasant public officials or its excessively simplified voting system, and not so much its economic ideas and institutions, or its attitude toward the economic freedom of the individual.

SO far have we wandered or been seduced down this primrose path of intellectual casuistry and moral compromise that we fancy we have finally arrived at or are moving toward that imaginary spot called the middle of the road, where right and left meet and are the same, and black and white are blended into a new American color, combining both. But America is not a place between the right and the left—which stand for the same thing, which is the all-powerful State, the annihilation of the individual. It is not something that straddles the middle, a dead center of liberty between two slaveries. It is the opposite pole, the utter contradiction of both, and it can never be compounded of bits and pieces of either.

The American answer to Communism or to any other ism that has questioned us in the past generation cannot be framed in terms of “the middle way.” It cannot be given to Russia, or Europe, or ourselves, merely in terms of more or bigger government, more powerful guns, more abundant groceries, more ingenious gadgets, including more voting machines. All these may be part of the answer, the package in which it is wrapped, and America can easily pass any examination on them. But the

essential and ultimate American answer to Communism is its faith in economic freedom as the creative force in human welfare and social progress, the only sure foundation for political liberty, the only safeguard against total power.

The virtues of democracy most emphasized today are freedom of speech and the press; freedom of worship; the right to elect public officials and vote them out of office; the right of trial by jury; equality before the law; and others promised in the Bill of Rights; and they are precious things. But the right upon which they all rest, the right that has done most to make America great, strong, rich and helpful to the world, is the plain and simple right of the individual American to go where he pleases and do what he pleases to make an honest dollar in any way he can—to make as many of them as he can by engaging in any honest occupation or enterprise, under equal laws that prevent unjust practices. That is the crucial freedom that America used to value most, the one in which she had most faith, and of all the answers she might offer, it is ultimately the one that Communism can’t take.

Is it an answer that, among all others, America can make any more, after all that has happened in the past thirty years? It is the one that matters most, for if the American people know with their minds and feel with their hearts that the system which provides and assures this freedom, with all its imperfections, is morally, politically, and economically superior to any kind of totalitarianism, we need not worry about Communism; but nothing will save a system in which people who live by it have lost faith.

Where Would People Go?

THERE are people who would argue that the economic freedoms are unimportant and are not wanted. There would be one way to test the truth of this monstrous slander on the human race. It would be to throw open the frontiers of all countries and to observe whether the movement of population was outward from or toward the totalitarian states. Until we are quite sure that people would flock away from the countries which provided opportunities for economic independence we must go on believing that people can only be deprived of their freedom, either by their own intellectual errors concerning the economic organization of society, or through the deceptions of their rulers.

—John Jewkes

IF capitalism repeated its past performance for another half-century starting with 1928, this would do away with anything that according to present standards could be called poverty, even in the lowest strata of the population, pathological cases alone excepted.

—J. A. Schumpeter in the book *“Capitalism, Socialism and Democracy.”*

The Charter for a Planned World

By Garet Garrett

FROM the United Nations Conference on Trade and Employment at Havana the State Department brought home its International Trade Charter, signed at last by fifty-three nations, and presented it to the Economic and Social Council of the United Nations.

The Secretary General of the United Nations said it was "perhaps the decisive step in healing not only the economic but the political maladies of the world," and the first attempt in history to set up an ordered world system.

William M. Clayton, speaking for the State Department, not without pride of parenthood, said: "This is a day for history. . . . This may well prove to be the greatest step in history toward order and justice in economic relations among members of the world community. . . . Each will surrender some part of its freedom to take action that might prove harmful to others, and thus each will gain the assurance that others will not take action harmful to it."

W. Averell Harriman, then Secretary of Commerce, said: "It represents a voluntary effort of the world's great trading nations to resist a strong tendency all over the world for each nation to set up special regulations to cope with its own trading problems. Carried far enough, that trend would result in anarchy."

The laudable purposes of the Charter, set forth in Chapter 1, are these:

"1. To assure a large and steadily growing volume of real income and effective demand, to increase the production, consumption and exchange of goods, and thus to contribute to a balanced and expanding world economy.

"2. To foster and assist industrial and general economic development, particularly of those countries which are still in the early stages of industrial development, and to encourage the international flow of capital for productive investment.

"3. To further the enjoyment by all countries, on equal terms, of access to the markets, products and productive facilities which are needed for their economic prosperity and development.

"4. To promote on a reciprocal and mutually advantageous basis the reduction of tariffs, and other

barriers to trade and the elimination of discriminatory treatment in international commerce.

"5. To enable countries, by increasing the opportunities for their trade and economic development, to abstain from measures which would disrupt world commerce, reduce productive employment or retard economic progress.

"6. To facilitate through the promotion of mutual understanding, consultation and cooperation the solution of problems relating to international trade in the fields of employment, economic development, commercial policy, business practices and commodity policy."

THESE purposes have been constant from the beginning; but for various reasons the finished Charter that now appears is very different from the State Department's original proposals.

It is different because, for one thing, many wishful expectations have been disappointed since in 1945 the State Department pinned to the Anglo-American Financial Agreement a paper entitled "Proposals for Expansion of World Trade and Employment," which Great Britain endorsed in principle and which was then transmitted to other governments as the American idea of how international trade should be conducted in the postwar world. At that time the American loan of \$3¾ billion to Great Britain was expected to restore the grounds of British solvency. The International Stabilization Fund was expected to make the principal currencies of the world freely and happily interchangeable again, and especially to solve the problem called dollar shortage. The International Bank for Reconstruction and Development was expected to release once more the beneficent power of capital, making it to flow in many regulated streams from a few sources, principally the American source, for the proper economic irrigation of the world. And at that time it was still believed that the United Nations, with its specialized economic, social, and cultural agencies, would bring to pass the vision of one world at indivisible peace.

It is different because, for another reason, the work of the State Department's experts embodied in the original proposals was rewritten three times by a preparatory commission of the Economic and Social Council of the United Nations—once in

London, once in New York and once in Geneva—so that the final draft that went to Havana represented the extreme ingenuity of the experts of twenty-three countries, all trying to outthink one another.

Thirdly, it is different for the reason that when the work of these experts, which was the final draft, came to be laid before a world conference of fifty-three nations at Havana—European, Asian, African, North American and Latin American nations—with all their disparities of economic experience and understanding, equal only in voting power, Afghanistan equal to Great Britain and Burma equal to the United States, it was an economic Babel.

There were many lines of stress and fissure, and then one so deep and constant that it divided the conference by the numerical relation of one to fifty-two. On one side alone was the American delegation representing roughly half the economic power of the world—and this idea of imposing upon trade among nations the rule of an international authority was first and last an American idea. On the other side were fifty-two nations all fearful of this American power to the point of dread and all at the same time weighing that fear as in a balance against the tempting offset. The offset was the promise of freer access to American wealth as borrowers and then, in time to come, an open door to the rich American market for the sale of their surplus goods.

The United States had more to give than any other nation, perhaps as much as all the others together. But did that mean that it had also more to lose? Could the elephant be trusted to make the law of the jungle? And why should he want to make the law of the jungle, since he was already in possession of the paramount power there? Certainly it would behoove the other inhabitants to watch their step and when in doubt to vote no. There was always the danger, to be blunt about it, that under the fairest law that could be written the Americans still, by sheer weight of wealth, would dominate the economic affairs of the world.

THE presence of this common anxiety among the fifty-two nations explains why it was that notwithstanding the extreme dissimilarities of idea and interest they were able to coalesce at many points against the American delegation to force compromise and concession; and then at length it crystallized on the one question of voting power.

In all these global arrangements, beginning with the International Monetary Fund, it has been the rule to *weight* the voting power, which means to apportion it in a manner roughly to represent the size, prestige and importance of the participating nations; and practically this is necessary. Ideally

perhaps in matters of world policy the voice of Guatemala or Iraq ought to be equal to that of the United States or Great Britain, but the simple reality is that it will not work that way. As a nation that alone accounts for half the economic power of the world, the United States naturally would expect to have greater voting power in the International Trade Organization than a little undeveloped country in Asia or Africa.

At Geneva the experts had not been able to agree on this point and left it to be settled by the Havana conference. At Havana a large majority stood solidly for the one-nation-one-vote formula. The American delegation held out until it was a question of either accepting the formula or losing the Charter. Then it gave in.

So now the Charter reads that the supreme authority of the International Trade Organization shall reside in the Conference, that the Conference shall consist of all the Members and each Member shall have one vote, which means that in the economic control of the world the voice of the United States shall be exactly equal to that of Lebanon or Pakistan.

But there is a little more. The administrative functions of the International Trade Organization are to be vested in an Executive Board of eighteen. In choosing this Executive Board the Conference “shall have regard to the objective of insuring that the Board includes members of chief economic importance, in the determination of which particular regard shall be paid to their shares in international trade.” That is all. No names are mentioned. No permanent members are indicated. It is therefore theoretically possible for the United States, by a two-thirds vote of the Conference, to be omitted from the Executive Board. In any case, as a member of the Executive Board, the United States would be limited to one vote in eighteen.

BUT for all the concessions the American delegation was obliged to make in Havana to ease the fifty-two nations in their fear of American power, the original premises were held intact. The premises underlying the finished Charter are these:

(1) That the free and competitive exchange of wealth in world trade, governed only by the private profit motive, leads to economic anarchy.

(2) That such forces as the free price, the free market and free competition can no longer be trusted to keep the world in a state of economic equilibrium.

(3) That when governments interfere it is worse, because then in place of the private profit motive you have ruthless economic nationalism.

(4) Therefore, both the trade of the world and the development of its resources shall be planned

and regulated by an international authority, and this international authority shall require of the constituent nations two things, namely: First, that they shall surrender, so far as may be necessary, the right to do as they like with their own foreign trade, and secondly, that in so far as may be necessary, each constituent nation shall plan its own economy to accord with the international plan.

Upon these premises the Charter is built. What it does is to create a superstate to plan and govern the economic life of the world. The superstate, for better or worse, will touch deeply the economic life of all the constituent nations, but as a superstate it cannot be held responsible to any of them for the consequences.

"The responsibilities of the Director General and of the members of the staff," says the Charter, "shall be exclusively international in character. In the discharge of their duties they shall not seek or receive instructions from any government or from any other authority external to the organization."

If before this a nation got hurt in foreign trade it was free to do something about it; if hereafter it gets hurt by a global plan there will be very little it can do about it except to remember that the intentions of the superstate are all for the good of the world.

"The Charter," says W. L. Clayton, "is complicated and difficult. It is long and detailed and technical."

II.

IT is a document of eleven chapters, 106 articles, sixteen annexes and six resolutions, and one who is obliged to read it will probably remember Mr. Clayton's words as a marvel of understatement. It could hardly be otherwise after it had been worked on for three years by experts, each group of experts trying to get into it an exception or an escape clause in the interest of its own country, and all together trying to anticipate everything that could possibly happen in the vast complex of this modern economic world. What it represents finally, from the point of view of common intelligence, in terms of common language, is an almost complete failure of communication. Here is the draft of an international treaty, which, if it is adopted, will become the supreme law of the land and affect our daily lives and our means of livelihood in many ways not yet foreseeable, written in a language that is intelligible only to the experts. Many of the experts themselves do not understand the language perfectly even though they invented it. They ended at length by involving themselves in obscurities, witness the fact that Appendix P of the Charter consists of 62

interpretative notes, purporting to clarify the meaning of the text.

Article 4, Chapter II of the Charter, reads:

"In the event that a persistent maladjustment within a Member's balance of payments is a major factor in a situation in which other Members are involved in balance-of-payments difficulties which handicap them in carrying out the provisions of Article 3 without resort to trade restrictions, the Member shall make its full contribution, while appropriate action shall be taken by the other Members concerned, towards correcting the situation."

Since on this article there is no interpretative note in Appendix P, you may take it as an example of what the experts thought was so simple that anybody would know what it meant. And what does it mean?

When the experts speak of a country "involved in balance-of-payments difficulties," they refer to a country that unhappily owes more than it can afford to pay. So far so good. But who is the Member who might have a "persistent maladjustment within its balance of payments"? And what does it mean to say that that Member "shall make its full contribution"? Contribution to what? You might never guess it. The country that might have a "persistent maladjustment within its balance of payments" is the creditor country. It is the country to whom other countries owe more than they can afford to pay, *videlicet* the United States; and to say that it "shall make its full contribution" means that it shall do something for the debtor nations, such for example as to provide them with dollars.

The idea that in a proper economic organization of the world creditor nations shall be responsible for the debtors, on the ground that the creditor too is to blame, is from Keynes. He first developed it in his draft of a scheme to clear the postwar world of debt, disposing of it partly by swapping good money for poor money through an international pool, and partly by putting the rest of it in deep freeze. When he failed with that he helped to create the International Monetary Fund. Since the one great creditor nation in the world is the United States, the implications must be obvious.

The Charter will take effect not earlier than May, 1949, if by that time it has been ratified by a majority of the fifty-three countries whose representatives signed it at Havana, and if not, then not later than September 30, 1949, if by that time it has been ratified by at least twenty governments.

When it comes before Congress there will be an assault on public opinion by propaganda from the executive agencies of government, especially the State Department, and this propaganda will be so prepossessing that the opposition will be driven to

take an extreme position, and once more a matter that ought to be debated on its merits in a dispassionate manner may be decided by emotions rhetorically created. The people will be unable to inform themselves by referring to the text of the Charter because to most people the language of the Charter is unintelligible. They will be unable, therefore, to form any direct judgment of their own, which means that they will have to rely upon what they are told about it, and thus that kind of vacuum in the democratic process which the thought-forming agencies of government know how to fill.

THE social aspect of the Charter comes first. Next after the statement of Purposes and Objectives in six paragraphs comes the chapter on Employment and Economic Activity, in which world planning supersedes national planning by simple extension.

The passage from national planning to world planning is made in one logical step, as you may see. Consider first the argument for national planning. It begins with the *assumption* that if people are left alone to manage their own economic affairs they will be unable to keep themselves fully and continuously employed because when they exert themselves to produce more their purchasing power does not increase in a corresponding manner, with the result that they cannot buy what they have produced, and comes therefore to the *conclusion* that government must first create and control the conditions of full employment and then see to it that people have enough money to buy what they have produced.

In the language of planning, however, you never say *money*, you say *purchasing power*; and instead of saying that the government must see to it that purchasing power is distributed in a socially desirable way you say the government is responsible for maintaining *effective demand*.

Now, from the world planner's point of view, the trouble with national planning is this—that when any government acts alone to create full employment and distribute purchasing power it may hurt another nation's planned economy. It may, for example, subsidize its exports, hoping thereby to keep its own people employed in foreign trade; but its export of goods and services may in that case represent what now is called the export of unemployment. American motor vehicles sent to Great Britain may prevent unemployment among the automotive workers in Detroit, but the effect at the same time may be to cause unemployment in the motor vehicle industry of England, and Great Britain would say we were exporting unemployment to her and she would take steps to stop it. Many trade barriers, such as quotas, preferential tariffs and exchange restrictions are in that sense

defensive, designed to keep nations from unloading their unemployment on one another; and this will be increasingly true in a time to come.

National planning, therefore, does not make for the good of the world. In fact, it leaves the world as a whole in a state of economic anarchy worse than before there was any planning at all, even worse than it was when trade was the free and simple exchange of wealth among nations, conducted by private traders, who know no law but profit.

TO provide the remedy is what the International Trade Organization is for. The remedy is a planned world.

Each Member nation is obliged by the Charter to “take action designed to achieve and maintain full and productive employment and large and steadily growing demand within its own territory.” That is national planning. But each Member nation is obliged also to recognize that full employment and the proper distribution of purchasing power to maintain effective demand cannot continue to be a matter of “domestic concern alone, but is also a necessary condition for the achievement of the several purposes and the objectives of the Charter.”

Each Member nation, therefore, must surrender as much as necessary of its right to do what it likes with its own economy; it must undertake to make its own plan mesh with the world plan, to the end that the superstate, namely the International Trade Organization, shall be able to plan full employment, production, distribution and effective demand for all.

Each Member nation shall recognize that “while the avoidance of unemployment or underemployment must depend primarily on internal measures taken by individual countries, such measures should be supplemented by concerted action under the sponsorship of the Economic and Social Council of the United Nations.”

When the International Trade Organization considers that the urgency of a situation requires it, all Member nations must be prepared to confer upon “appropriate measures against the international spread of a decline of employment, production or demand.” The International Trade Organization itself will regard “the need of Members to take action within the provisions of this Charter to safeguard their economies against inflationary or deflationary pressure from abroad,” and—“in case of deflationary pressure, special consideration shall be given to the consequences for any Member of a serious or abrupt decline in the effective demand of other countries.”

To know what that means you would have to know what the experts were thinking when they

wrote it. They may have been thinking what would happen if the United States should suddenly stop providing the world with dollars. That certainly would cause an abrupt decline in the effective demand of other countries.

IN a planned world, with no nation permitted to take advantage of another, something like a common code of fair labor standards becomes necessary. On that subject the Charter says:

"The Members recognize that measures relating to employment must take fully into account the rights of workers under intergovernmental declarations, conventions and agreements. They recognize that all countries have a common interest in the achievement and maintenance of fair labor standards related to productivity, and thus in the improvement of wages and working conditions as productivity may permit. The Members recognize that unfair labor conditions, particularly in production for export, create difficulties in international trade, and, accordingly, each Member shall take whatever action may be appropriate and feasible to eliminate such conditions within its territory.

"Members which are also members of the International Labor Organization shall cooperate with that organization in giving effect to this undertaking.

"In all matters relating to labor standards that may be referred to the Organization in accordance with the provisions of Article 94 or 95, it shall consult and cooperate with the International Labor Organization."

Evidently, every member would have to account to the International Trade Organization for its labor standards, wages and working conditions. If the International Trade Organization did not like them it could say that that nation's experts were unfair.

But in another case the International Trade Organization is forbidden by the Charter to regard the social policies of a Member nation. This occurs in Article 21, which says that a nation may impose exchange controls and other trade restrictions contrary to the principles of the Charter when it is involved in "balance-of-payments difficulties" (owing more than it can pay), and when its reserves are running out; and furthermore—this is the point—if a nation is in that kind of trouble from having pursued certain social policies aimed "at the maintenance of full and productive employment and a large and steadily growing demand" it shall not be required "to withdraw or modify such restrictions on the ground that a change in such policies would render these restrictions unnecessary."

That perfectly fits the case of Great Britain. The British delegation probably wrote it. Great Britain is committed to many restrictive trade practices that are clearly forbidden by the Charter in prin-

ciple. The reason for it is that in her account with the world she is running an enormous deficit. There are many who think and say—Winston Churchill among them—that the deficit is owing largely to the policies of a Socialist government. But if that is true, and precisely because it is true, she is entitled to exceptions under the Charter, and the International Trade Organization is forbidden to do anything about it.

III.

CHAPTER III develops the theme of economic noblesse oblige, with the twist that in the end it will pay dividends. Member nations shall cooperate with one another, with the Economic and Social Council of the United Nations and with the International Trade Organization to assist two classes of nations, namely: (1) those which are still relatively undeveloped, and (2) those that have been devastated by war, on the ground that the utmost productive use of the "world's human and material resources" will increase employment, expand trade and benefit all countries.

Since forty-three of the fifty-three Charter nations are in one or the other of these two categories and therefore need assistance, and since the nine not in either category are unable to provide much assistance, this Chapter has a special meaning for the fifty-third nation, which is the United States. The things that will be required are "capital funds, materials, modern equipment and technology and technical and managerial skill," and as a Charter nation the United States "shall, within its powers and resources" provide them "at the request of any Member," and do it subject to any arrangement which may be entered into between the International Trade Organization and the Economic and Social Council of the United Nations. In doing it, moreover, the United States:

"Shall not impose unreasonable or unjustifiable impediments that would prevent other Members from obtaining on equitable terms any such facilities for their development, or, in the case of Member countries whose economies have been devastated by war, for their reconstruction."

Who shall determine what may be "within the powers and resources" of the United States? Who shall say what may constitute "unreasonable or unjustifiable impediments"? Evidently, it is intended that the International Trade Organization would do that, for in another paragraph, following, it is charged with the responsibility to:

"Make recommendations and promote agreements designed to facilitate an equitable distribution of skills,

arts, technology, materials and equipment, with due regard to the needs of all Members."

Clearly then, it is intended that the International Trade Organization shall recommend how the wealth of the United States shall be distributed for the good of the world, acting through the supreme executive body, which is the Conference, in which the United States would have one vote.

IV.

AFTER all this, the Charter begins in Chapter IV to develop the ideal code for trade in a planned world. The going so far may have been difficult, but from here on the road is slippery when wet and the visibility is low, owing to a dense fog induced by squeezing cloudy generalities into a jargon of imaginary precision. If here and there the fog lifts it is only to settle again into something like this:

"If a Member has failed to become a contracting party to the General Agreement within two years from the entry into force of this Charter with respect to such Member, the provisions of Article 16 shall cease to require, at the end of that period, the application to the trade of such Member country of the concessions granted, in the appropriate Schedule annexed to the General Agreement, by another Member which has requested the first Member to negotiate with a view to becoming a contracting party to the General Agreement but has not successfully concluded negotiations; *Provided* that the Organization may, by a majority of the votes cast, require the continued application of such concessions to the trade of any Member country which has been unreasonably prevented from becoming a contracting party to the General Agreement pursuant to negotiations in accordance with the provisions of this Article."

Eric Wyndham White, who signed at Havana for the United Nations and is Executive Secretary of the International Trade Organization Interim Commission, says: "The Charter, in its vast scope, its highly technical aspects and its new fundamental approach toward removing trade barriers and encouraging high levels of employment, can scarcely be accepted or rejected in an afternoon. Time, patience and detailed explanations will be called for in each country that decides to go forward toward accepting it."

The first intention is clear enough. Under an ideal code all unilateral and bilateral practices would cease and the trade of the world would come to rest on the multilateral principle. As these words now are used, unilateral means *lone wolf*, bilateral means *just between us* and multilateral means *among all alike*.

Under such heads as Commercial Policy and Business Practices each section begins with a firm declaration of what Member nations shall and shall

not do. All arrangements and agreements shall be nondiscriminatory. No Member nation shall give preference to the trade of another. Any favor granted by one Member nation to another shall be automatically granted to all. Restrictive trade practices are defined exhaustively, and they shall be abolished. Trade barriers of all kinds shall be progressively demolished. Export subsidies are permitted, but they shall not cause the price of exported goods to be lower than the price of the same goods in the home market of the exporting nation, nor shall they have the effect of increasing any nation's exports beyond its fair share in the world trade. And then there is a formula whereby to determine what its fair share is.

Yet for each *shall* or *shall not* there is a *nevertheless*, a *notwithstanding* or a *but-in-the-case-of*; and only by means of these exceptions, abrogations and escape clauses, many of them written in over the numb body of the American delegation, was it possible to get fifty-three signatures to the Charter. Great Britain, of course, wrote in her system of Empire Preference, touching Canada, Australia, New Zealand, the Union of South Africa, Ireland, Newfoundland, Southern Rhodesia, Burma and Ceylon; and saved also her Sterling Bloc. France wrote in exceptions for the French Union, touching eighteen listed territories; Portugal wrote in exceptions for eleven territories. Preferences in force between the United States and Cuba and between the United States and the Philippines were left untouched. And so on.

ALARGE portion of the text is devoted to very complicated exceptions. The general effect is that under the Charter a Member nation may do almost any forbidden thing it has not done before, including practices both restrictive and discriminatory, provided—and this is the point—*provided* only that it tells the ITO what it does and why and obtains a writ of indulgence.

But there is at least one significant exception to the rule of exceptions. There is no exception to Article 45 of Chapter IV, which says that a Member nation may adopt measures to limit exports for the purpose of conserving exhaustible natural resources, but it may do so *only*:

"If such measures are made effective in conjunction with restrictions on domestic production or consumption."

What that means you may better understand if you relate it to Article 11, Chapter III, which enjoins the International Trade Organization to "make recommendations and promote agreements designed to facilitate an equitable distribution of skills, arts, technology, materials and equipment

with due regard to the needs of all members." Literally this means that if the United States has enough of a certain natural product to satisfy its own wants but not enough to satisfy both its own wants and the wants of other countries, it will be forbidden by the Charter to stop sharing it with other countries by restricting exports unless at the same time it restricts its own use of its own wealth.

EACH Member is bound to take measures of its own and to cooperate with the International Trade Organization to abolish any public or private enterprise in the form of a cartel that aims to restrain competition, limit production, fix prices and control distribution. Nevertheless, under the eye of the International Trade Organization, governments may enter into Commodity Control Agreements and set up Commodity Control Councils to restrain competition, limit production, fix prices, and control distribution.

This sanction applies to what are called primary commodities, as it might be wheat or rubber—in fact "any product of farm, forest or fishery" liable to "special difficulties, such as the tendency toward persistent disequilibrium between production and consumption, the accumulation of burdensome stocks and pronounced fluctuations in prices." These special difficulties arise when "adjustments cannot be effected by *normal market forces* alone as rapidly as circumstances require," and again when there is a condition which "in the absence of specific governmental action will not be corrected by *normal market forces* in time to prevent widespread and undue hardship to workers."

When a Member nation finds itself in such trouble with a primary commodity, it appeals to the International Trade Organization, which calls an Intergovernmental Conference of both the producers and consumers of that commodity, and then, with the approval of the International Trade Organization, the Member nations may enter into a Commodity Control Agreement and create a Commodity Council to administer it. The Commodity Control Agreement shall be designed to stabilize the troublesome commodity at a price that shall be fair to consumers and profitable to the producers—a price that will assure, at the same time, that the supply of the commodity shall be adequate to satisfy the world's needs.

THE magisterial authority of the International Trade Organization is complete. The Charter says: "The Members undertake that they will not have recourse, in relation to other Members and to the Organization, to any procedure other than the procedures envisaged in this Charter for complaints and the settlement of differences"; and, furthermore, that no Member shall "have recourse to

unilateral economic action of any kind contrary to the provisions of this Charter," which means that no Charter nation shall act on its own impulse to settle anything with another Charter nation.

However, the economic life of the world cannot be governed by magisterial authority alone. For how shall its decisions be enforced? By what means will it be able to command the obedience of constituent governments? It follows that the ITO must have also punitive powers. The Charter provides it with two. One is the power of excommunication; the other is the power of retaliation.

In cases of one kind an offending or contumacious nation may be suspended; in cases of another kind it may be either partially or entirely excluded from participation in the beneficial agreements; and this is done by a very simple arrangement called release. That is, the injured Member nation alone or all the good Member nations together may be released from any or all obligations toward the offending Member. In the very worst case the Organization "shall request each Member concerned to take every possible remedial action" against the offender, according to its own laws, which seems to mean, alas! unilateral action; and beyond that, the Organization itself may recommend "remedial measures." The hard word for remedial measures is retaliation. An offending Member nation is then free to repent and mend its ways or withdraw.

So far the punitive powers seem to be somewhat carefully defined. Then suddenly they are expanded to infinity by one paragraph in Article 100, Chapter IX, which says that the Charter may be amended, even in a way to alter the obligations of the Members, by a two-thirds vote, and that then the Conference, by a two-thirds vote, may:

"Determine that the amendment is of such a nature that the members which do not accept it within a specified period . . . *shall be suspended from membership in the Organization.*" (Italics supplied.)

Under this provision, the International Trade Organization may do almost anything.

All of its powers, you may realize, come to rest upon two assumptions—*first*, that for a great majority of the Member nations the advantages of belonging, when the plan begins to work, will be so important that the threat of excommunication will be a powerful discipline, and, *second*, that a nation doubtful of the advantages, so far as its selfish interests are concerned, will nevertheless be unwilling to face the consequences of organized retaliation.

V.

SO now, to one who has read the Charter and sits riffling the pages in a reflex of thought, comes this question: For all the words it took to say it,

what does it mean? Or the question: How in a few simple, natural words does one say what it means?

When Mr. Clayton, for the State Department, says, "Each will surrender some part of its freedom to take action that may prove harmful to others and thus each will gain the assurance that others will not take action harmful to it," you are put under the suggestion that *all* we surrender is some part of our freedom to play lone wolf with our foreign trade, that is, to do what we like with it as we always did and as all other nations did before. That is as far as any official statement goes in telling you what it means. But if we sign the Charter we shall surrender much more than that. We shall surrender—

(1) *The right to do what we like with our own resources; and*

(2) *The right to have, if we continue to want it, a free American economy.*

Much as it may have been eroded in recent times by the Socialist complex, this country still holds to the idea of a free economy—an economy of free prices, free markets, free competition and free enterprise. But a free national economy cannot exist in the framework of a planned world. Any government that accepts the Charter will be obliged to plan its own economy, for otherwise it cannot fulfil its Charter obligations.

And these freedoms would be surrendered to a superstate responsible only to itself, in the councils of which the Member nation representing half the economic power and wealth of the world would have one vote.

Our Global Wheat Deal

WASHINGTON CORRESPONDENCE

Washington, D. C.

STATE trading is an economic device of Communist and Socialist governments and has no place in a free economy. The foreign trade of Soviet Russia is entirely a state monopoly. One of the first acts of the Socialist government of Great Britain was to abolish the Liverpool Cotton Exchange; now the government buys all the raw cotton imported into England and resells it to the textile industry.

The idea of state trading used to give private enterprise that kind of cold shudder you explain by saying that somebody is walking on your grave; but when such premonitions become familiar they wear a little thin. Ever since the New Deal, the American Government has been trading in agricultural commodities on the domestic market. People are no longer astonished at the sight of Uncle Sam buying and selling grain in the wheat pit. And now the American Government is about to embark upon state trading in the world market. This adventure waits only on the ratification by the Senate of the International Wheat Agreement.

"The objectives of this agreement," says the preamble, "are to assure supplies of wheat to importing countries and to assure markets to exporting countries at equitable and stable prices."

The chief of the Office of Foreign Agricultural Relations of the United States Department of Agriculture says it is "the biggest intergovernmental deal in history."

The International Wheat Agreement was signed last March between, on one side, the United States,

Canada and Australia, as exporters, and, on the other side, thirty-three wheat importing countries, principally Great Britain, Italy, France, Netherlands, India, Belgium, Brazil, Austria, Greece, China and Ireland. Two very important exporting countries, namely, Russia and Argentina, would have nothing to do with it.

By the terms of the Agreement the three exporting countries guarantee to export 500 million bushels of wheat annually, over a period of five years; and the thirty-three importing countries guarantee to buy 500 million bushels annually over the same period, within a fixed price range, as follows:

<i>Crop Year</i>	<i>Minimum Price</i>	<i>Maximum Price</i>
1948-49	\$1.50	\$2.00
1949-50	1.40	2.00
1950-51	1.30	2.00
1951-52	1.20	2.00
1952-53	1.10	2.00

If, in any one of these five years, the market price of wheat is higher than the maximum fixed in the Agreement, the American Government will have to buy wheat from the farmers at the higher price and deliver it to the importing countries at the fixed price and charge the loss to the taxpayer. If, on the other hand, the market price of wheat is lower than the minimum fixed in the Agreement, the importing countries will undoubtedly find a way out through one of the so-called "escape clauses."

The undertaking of the three exporting countries to sell 500 million bushels is divided as follows: by

Australia, 85 million bushels; by Canada, 230 million; and by the United States, 185 million.

The Agreement, says the National Grain Trade Council:

"... will hinder—rather than aid—the establishment of stable prices in world wheat markets; it restricts private enterprise far beyond need and reason; it seeks to perpetuate state trading, government restrictions and controls. . . .

"The importing countries are speculating on current or higher prices and they will have made a good deal, presumably, only if during the next five years the world price is higher than the ceiling more often than it is below the floor. Conversely the exporting countries are speculating on lower—much lower—prices and will have made a good deal, presumably, only if during the next five years the world price is lower than the floor more often than it is higher than the ceiling. It is just as simple as that! Both cannot win. If world prices merely fluctuate between the two limits the agreement is, of course, without point or force."

The Economist, London, says:

"The International Wheat Agreement represents the conclusion of the struggle between two opposing forces. The United States has always shown a great interest in securing some form of international agreement to limit the fluctuation in world wheat prices. Memories of the agricultural depression between the wars died hard and the advantages of a high level of farm income in the Middle West have been abundantly demonstrated during and since the war. The other parties in the struggle, of which Britain is most important, have hitherto resisted pressure to commit themselves to a binding long-term contract to take specific quantities of wheat from the exporters at prices fixed in advance.

"In Britain's prewar experience, wheat was relatively cheap for much longer periods than it was relatively dear. But prewar experience is not necessarily an accurate guide to postwar policy. Before the war, Canada provided nearly 30 per cent of the world's wheat exports, Argentina and Australia about one quarter and the United States less than 7 per cent. This pattern has completely changed; the United States now supplies more than half of the wheat entering world trade; Canada has maintained its share of world exports, but all other countries show a sharp fall. Little or no wheat is available, except for political purposes, from Russia or from other countries behind the Iron Curtain; India now has tens of millions more mouths to feed.

"In these circumstances, Britain seems to have fought a lonely battle at Washington. Three main wheat exporters, the United States, Canada and Australia (Argentina and Russia were not at the conference) favored a wheat agreement and they were supported by 32 other delegates representing importing countries. . . .

"One of the doubts arising from the agreement is the narrow scope which will now remain for a free world market in wheat. Again, the stabilization of the price of

wheat is likely to distort the normal price relations between wheat and other grains."

The Financial Post, Toronto, says:

"It is difficult to see much reason for jubilation in the signing of the International Wheat Agreement. Two of the world's major producers, Russia and the Argentine, are not included, nor are they likely to come in. With them on the outside the pact may prove an empty gesture in years of normal production and a costly venture for countries like Canada when crops are either abnormally small or abnormally large.

"What will happen if world values fall below the fixed minimum prices? No matter what the agreement says, how long could any importing government hope to stay in power if it paid more than was absolutely necessary for the wheat to feed its people?

"Secondly this agreement instead of offering the wheat grower stability does exactly the opposite. Only a fluctuating price, high when yields are small, lower when yields are large, can do that."

The Agreement is to be administered by an International Wheat Council, made up of one delegate from each of the thirty-six contracting countries, all of whom shall be bound by the decisions of the Council. It will have many decisions to make, owing to the fact that it is invested with large discretionary powers, besides being charged to see that the mandatory provisions of the Agreement are obeyed.

One of the mandatory provisions is that each exporting country shall carry large reserves of wheat from one crop year to another. For the United States this reserve, or carry-over, is fixed arbitrarily at 188 million bushels. The intent evidently is to forestall what might be the specious plea of an exporting country that, because of one short crop, it must be excused from delivering its quota.

Another article forbids an exporting country to pursue any domestic price policy calculated to frustrate the price policy of the Agreement, or—this is curious—to operate a "nutritional program" for the purpose of stimulating domestic consumption, unless the Council is satisfied that the importing countries will be able, nevertheless, to buy all the wheat to which they are entitled at the minimum prices fixed in the Agreement.

If it should happen that the American Government had to buy wheat at one price from the farmer and sell it at a lower price to the thirty-three importing countries, the loss happily would have some offset. Since, under the Marshall Plan, we are lending the principal importing countries the dollars to buy American wheat, the American Government might save on one side what it loses on the other, which means at least that it would be charged to the taxpayer only once.

Confusion of The Planners

Reflections by Professor John Jewkes on the directed life in Great Britain

THERE is a bitter falling out among the planners of Great Britain, and this is sad because they were so sure they knew how to do it. They had thought about it more than anybody else, their theory of it was complete, and when they got control of government, with a mandate from the people to socialize the works, they summoned the world to witness the obsequies of capitalism. Now, having barely escaped national bankruptcy—if they have escaped it—by something they had no right to expect and couldn't have counted on, namely, billions of capitalist dollars provided first as a loan and then as a gift, they can agree among themselves upon only one thing, which is that they had really no *plan for planning*. A few weeks ago Mr. Shinwell, who was the first Minister of Fuel, very nearly got himself purged from the councils for saying *out loud* that they had socialized the coal industry in haste without stopping to think it through—and all disappointments were thus explained. But they had been thinking about it for fifty years. That was the best Mr. Shinwell could do for himself. The scandal of it was that he was trying to save his own face by publicly blaming all planners for unpreparedness. This kind of embarrassment now is general.

If the planners say their plans went wrong because of a scarcity of dollars or the shortage of manpower or the unmanageable sterling debt or the loss of overseas investments or the obsolescence of Great Britain's industrial equipment, or for all of these reasons together, they are reminded of the fact that with these troubles clearly in view, nevertheless on taking over the government they blithely undertook to provide immediately a higher standard of living in England and more social welfare than ever before, with fewer hours of labor at higher wages. If their excuses are valid their stupidity and folly are appalling and their incompetence as planners is confessed.

So now they break into schools and factions and begin to quarrel about planning scholastically, each school advocating its own revised theory. One is for the over-all plan, with a blueprint of infinite forethought; one is for something that is called free planning, which would leave some play for private enterprise; another is for flexible planning, which would accommodate itself to all circumstances, and so on. There seems to be a distinction between positive planning, which tells people what to do, and

negative planning, which tells them only what not to do. How in any case the controls of a directed economy shall be exercised is a question that further divides them. Shall it be control of physical things, control of man power or control of income?

AND all of this is irrelevant. The trouble was not what they say it was. It was not that they had no plan for planning; nor was it that their planning was bad. The real trouble was that the British people were not Russian. It couldn't be done to them, at least, not all at once. Knowing this, the Socialist planners of Great Britain undertook to do an impossible thing. They said they were going to reconcile planning with freedom.

Prime Minister Attlee said: "In matters of economic planning we agree with Soviet Russia." In England, therefore, there should be economic planning, as in Russia, but no totalitarianism, no suppression of freedom and no compulsion of labor, as in Russia.

In February, 1946, in the House of Commons, Sir Stafford Cripps said: "No country in the world, so far as I know, has yet succeeded in carrying through a planned economy without compulsion of labor. Our objective is to carry through a planned economy without compulsion of labor."

Only eighteen months later under the word *direction*, peacetime conscription of labor was introduced for the first time in the history of England and the Minister of Labor was saying in the House of Commons: "If more extensive direction is found necessary, the government will not hesitate to use it."

In February, 1946, Sir Stafford Cripps said: "The general idea is that we should use a number of controls in order to guide production into the necessary channels, according to the plan we have formulated." The disarming word there was *guide*. A year later he was using the word *must*, fixing the export quotas of British industries without consulting them beforehand and threatening them that if they failed to make their quotas their labor would be taken away.

To know what planning has done to the economy of Great Britain, one should read **"Ordeal by Planning,"* by John Jewkes, Professor of Political Economy at the University of Manchester. It is the best

* *"Ordeal by Planning."* John Jewkes. Macmillan & Co., Ltd., London. Now obtainable from Macmillan & Co., New York.

book on the subject of planning, or the directed economy, since Hayek's "The Road to Serfdom"; and in certain ways a stronger book, because, besides the logic and argument, it shows planning actually at work and relates it to everyday life, as, for example, in such passages as the following:

"No pen could fully describe and no mind could wholly grasp the vast mesh of controls in Great Britain that now circumscribe everyday action. But a casual reading of newspapers over a few months throws up sufficient cases to provide some notion of the extraordinarily fine network of restraints and hindrances that surrounds us.

"A market gardener requires a new shaft for a wheelbarrow, a piece of wood costing perhaps ninepence. A license must be applied for from the surveyor of the district council on the appropriate form. The license has to be registered and filed by the district surveyor and then presented to, registered and filed by the timber merchant. A local authority for roads wishes to improve visibility at a dangerous junction by substituting some twenty yards of iron fence for the existing hedge. To obtain permission to do this, five enormous forms and nine maps, some of them colored, have to be prepared and submitted. The despatch of a small shipment of six drums of lubricating oil involves the filling in of forty-six forms, requiring forty-two signatures, not including the customer's invoice or delivery notes. A local authority cannot increase the pocket-money of a child under its care without first obtaining sanction from the Home Office. Newspapers are fined for exceeding more than 55 per cent of advertising matter.

"A firm is fined for making 60,000 frying pans for the home market, although it is established by evidence that the firm had done this only because of long delays by the Board of Trade in providing an export license, a license which in fact had been received after the fine had been imposed. A provincial corn merchant operates under fourteen licenses and 160 fixed prices. His books have been minutely investigated five times since control began; inspectors drop in at least four times a year to see if they can catch him; the Costings Department of his Ministry require his trading accounts and balance sheets; he is expected to remember the salient points of hundreds of orders and regulations. Orders are couched in language open to all sorts of meanings so that the public could not know whether they were acting legally or not unless they took counsel's opinion or a solicitor's advice. Four Lincolnshire farmers are fined £1,200 for growing canary seed. Mrs. Shenton, aged 79, is fined £10 for growing too few potatoes; she said she had responded to a Ministry broadcast appeal to grow more wheat.

"The detail of the control is incredible. The *Board of Trade Journal* warns retailers that it is illegal to embellish utility furniture. The women of Pangbourne wanted to run a bazaar to raise funds for a village hall; they were informed by the Board of Trade that a pair of boy's trousers made out of an adult's skirt or trousers are regarded as new and, therefore, coupons must be charged. The Board of Trade finds time to fix maximum prices for haircuts. Churchers College, Peters-

field, receives a form from the Ministry of Fuel and Power informing them that their previous allocation of coke had been cancelled and that their basic allocation for the twelve months to April 30, 1948, was nil tons, that it was possible only to allocate nil tons, divided as to nil tons a month in the summer and nil tons a month in the winter, and that the name of the supplier was also indicated. Boxes containing fragments of wedding cake sent to friends abroad are emptied and sent on empty because the export of confectionery is prohibited. The government seeks to impose an order preventing a householder from decorating his own house, without getting a license, if the cost of the raw materials plus the estimated cost of his own labor comes to more than £10. Strong protests forced the government to exclude the cost of labor but not to drop the control. The owners of private gardens are prohibited, except under license, to bottle fruit and sell it to the public. A householder cannot obtain a replacement for a cracked washbowl without getting a license from the local authority and having the bowl examined to prove it is unusable."

The following description of a small producer, lost in a jungle of bureaucratic controls, is quoted from the *Manchester Guardian*:

"We apply to the Timber Control on a large form, in triplicate, measuring 16 $\frac{3}{8}$ in. by 8 $\frac{1}{4}$ in., stating our requirements. We use timber (hardwood) for a great number of lines, but as there is little room on the form we give a representative few. The Timber Control returns the application stating that we must apply to the Ministry of Supply for one line, to the Board of Trade for another, and to the Ministry of Education for another.

"We prepare new sets of the application forms, in triplicate, for each Ministry mentioned and send them despatchedly to London. After some weeks replies come from the ministries. One says that we are not permitted to make such articles without a permit, though we have been making them for forty years and they are essential to every business. Another ministry says we must apply to another section of the ministry at another address, though we sent it to the address given by the Timber Control. We try to enlighten the first ministry and we send a further application to the second one.

"But the third, the Ministry of Education, asks us to furnish the actual orders from the schools which are going to use the articles we wish to make. This is impossible as the schools do not send their orders to us but to their own local education authority. Neither do the local education authorities send us orders—the business is not done that way, but the ministry seems singularly unaware of the manner in which schools get their supplies.

"The ministry wants the actual orders to make sure that we make only the actual quantities needed and leave none over for stock. But we cannot make such things in ones and twos as they are required, or the cost would be prohibitive. All this has to be explained to the ministry, and much correspondence follows; on our

part, we reply by return, but the ministry takes several weeks to reply.

"Eventually we may get a license for part of our needs in one or two cases, and in the others we give up in despair. Meanwhile our woodworking department is desperately needing the timber, and in one case it took seven months to get the license through.

"Even then, our timber merchants tell us we are only at the beginning of the struggle, as the merchant has to battle with the Timber Control to get an allocation even when he has our license.

"When we want further supplies for the same purpose it is quite useless referring to previous correspondence; the whole business of detailed explanations has to be gone through again. Apparently the Civil Service does not possess any filing system. With a first-rate filing system the Civil Service would probably save thousands of clerks—but that is not the bureaucrats' way."

PROFESSOR Jewkes' case against planning is moral, political and economic. He examines the planners as a species and finds that they:

"... suffer from a turbulent craving for a new order of things. A pathological dread of becoming old-fashioned leads them to press for Utopias at almost any cost. They express their hopes for the future in ornate imagery, such as 'the wave of the future,' the 'shape of things to come,' 'social engineering.'

"Whatever its cause, this impatience with the facts of life leads to much economic irresponsibility. It is, for instance, very surprising how many, otherwise rational, people will seriously argue in favor of central economic planning because 'something will always beat nothing' or 'the clock cannot be put back,' as if it were never good to leave things alone and as if change were always preferable to rest. The disposition to ignore the continuity of human societies, the feeling that at any time the slate can be wiped clean and the writing started again, is bound to create a carefree indifference to the risks of change. . . .

"Most planners, until they really have to operate their plan, have a remarkably oversimplified conception of the task which lies before them. They believe, for instance, that the world is, or could easily be made, very rich; that there is some little trick of technique or of administration which will suddenly unloose an unlimited flood of wealth. Just round the corner lies the end of the economic quest. Hence the popularity of such terms as 'the problem of production is solved' or 'poverty in the midst of plenty.' It is easy to understand the exasperation, of those who hold such views, at any delay in establishing the Utopia.

"The facts are quite otherwise. The world, judged even by the standards of living which have been attained in a few places such as the United States or Great Britain, is deplorably poor. . . . Improvement can be, and has been made steadily, but it will always be relatively slow. No one denies that, in the past, the free economy, under appropriate conditions, has proved

the most powerful instrument for increasing national income. Yet, even in their best periods, the United States and Great Britain have not been able to increase real income per head by more than about 2 per cent per annum. The economic problem of the world is poverty. There are no spectacular cures for it. Nothing but frustration can come from the view that the vast world economic engine can suddenly be made to run twice as fast as before. . . .

"The planner naturally finds his task easier if the consumer can be standardized, that is to say, deprived of those characteristics which make of him a consumer. The consequence is that the planner reveals a certain impatience at the very existence of the consumer. . . .

"The growing practice of determining how well fed is the consumer by measuring his 'calorie intake' is another indication that the consumer is increasingly looked upon as a part of the system of production into which must be shoveled a minimum quantity of fuel without too nice a regard for his own tastes or his own satisfactions. Consumer goods as a whole come to have two functions only: to keep the human machine efficient and to provide incentive to work. It is, therefore, not difficult to see why the planner is inclined to regard the consumer as a great inconvenience to his plans, and to look upon his interests as secondary."

FOR the painful and unexpected crisis of 1947 in Great Britain's account with the world, Professor Jewkes discovers the cause in three specific errors. The first was the wishful fixing of statistical export targets that were out of reach, with the result that exports were actually less than they might have been with no targets at all: "For when the export target is fixed, consequential allocations of raw materials and labor must be made. If the target is not achieved, these resources will have been wrongly placed. They might well have led to larger exports if they had been placed elsewhere."

The second error was an imaginative investment program based on the idea that since there was a shortage of man power, English industry had to be equipped all at once with labor saving machines: "It was overlooked that machines need labor to build them and that there is only a pint in a pint pot."

A third specific error was to fix the price of the pound sterling at \$4.03, which was wishful guesswork, since "without leaving the rate free to be fixed by market forces" no one could possibly know what the pound sterling was worth, or what the world would take it to be worth, which comes to the same thing. The world thought the pound sterling was too dear at \$4.03, and so much preferred dollars that Great Britain was ruinously drained of her dollar resources, the general effect being that an overvalued currency stimulated British imports and penalized British exports, which was just the reverse of what the situation required. Thus the American

loan was soon used up and Great Britain was actually worse off than before.

Professor Jewkes then asks what would have happened in a free economy and answers the question thus:

"What would have happened in the free economy? The State would have confined itself to its legitimate role of restricting the volume of money sufficiently to prevent domestic inflation. Exports would have been stimulated because that would have been the only outlet for goods. The cramping effect upon industry of physical controls would have been avoided. No export targets would have been fixed, exports would have been left to find their own level. The long-period exchange rate would have been left to determine itself, a deficit in the balance of payments would have been met by a fall in the exchange rate, thus increasing exports and reducing imports. If the nation was living at a level beyond its means, the fact would have been immediately signalled to all and the increase in domestic prices would have pressed down the standard of living to what was possible."

Not only is it true, as Sir Stafford Cripps said, that no country has ever been able to carry through a planned economy without compulsion of labor; it is true also, says Professor Jewkes, that:

". . . no planned economy has yet operated without suppressing free speech, destroying representative government, robbing the consumer of free choice and virtually abolishing private property. This is no accident. It cannot be attributed to fortuitous events such as the wickedness of the men in whom the economic power came to be vested or the absence of an instinct for freedom on the part of the people who were the victims of the plan. It is due to the logical incompatibility of a planned economy and freedom for the individual. For the various strands of personal liberty—economic, political and social—are bound together. Weaken or destroy one and the whole rope inevitably snaps. . . .

"The planned and centrally directed economy must inevitably undermine the economic freedoms and, with them, the whole fabric of a free society."

The last indictment of a planned economy is on the international plane. Professor Jewkes says:

"It has long been known that planning by individual nations must lead to international chaos, the degree of the chaos being in direct proportion to the number, the completeness and the efficiency of the separate national plans.

"International economic relations become highly unstable because of the recurrence of national planning crises and because trading is a matter of high politics and thereby suffers from every twist and turn in political relations. As each planned economy is driven towards autarchy the problem of the 'have' and the 'have not' nations emerges and may well make for war. With the sordid experience behind us of the interwar

years these are axioms. . . . Great Britain under planning is, in international economic affairs, being driven along a path which will damage her own economic prospects and contribute to the impoverishment of the whole world."

And it is strange that the idea of planning grows in the world not by experience but by contagion:

"Young as it is, the idea has already traveled far and wide. In Russia the very knowledge of what constitutes a free economy has been stamped out completely. In many of the countries of Europe the State has taken over the industrial equipment in whole or in part. In democratic countries the bait is being gobbled without too much thought for the hook that may lie in it. The rulers in Great Britain claim to have a centrally planned economy, to be carrying out a social and economic revolution. Even in the United States many of the young intellectuals are beginning to yearn after the benefits of 'social engineering' in a fashion which suggests that they, too, will soon be calling for a regimented society."

STRANGER still is the fact that it is a disease one may have without knowing it. That is something Professor Jewkes does not say. As he casts this devastating light upon the planners and their work a dimness envelops his own position, which is that of a devout Keynesian. Therefore, Professor Jewkes is himself a planner; and in view of all he has been saying, this is a disconcerting discovery.

He says the historic failure of the free economy to maintain full employment continuously, and the conclusion, therefore, that periodic unemployment was an intolerable evil of capitalism led many people to embrace the idea of planning reluctantly. They did not realize that this problem had been solved by "the Keynesian doctrines, offering us a route toward the maintenance of full employment within a free society."

He concedes it to be the one valid argument against the free economy that "in the past private enterprise has been the cause of heavy and prolonged unemployment," and believes that if mass unemployment recurs liberal society will perish, but:

"What was true of the past need not necessarily be true of the future. In the past twenty years the work of Lord Keynes has revolutionized our thinking about the operation of the economic system, has isolated the flaw which may lead the free economy to run at less than its full power and has pointed clearly to the methods to be adopted to remedy the defect. There need never be mass unemployment again."

What is the Keynesian doctrine? He spells it out:

"From the point of view of practical policy it may be summarized thus. Mass unemployment is due to a

deficiency of demand for goods and services. If this kind of unemployment threatens, it is the responsibility of the State to intervene and either to spend more money itself or to put its citizens in the way of spending more. So, as the total national expenditure increases, more goods are called for and more people are employed in making them. The threatened unemployment is avoided.

"In one way or another the State must see to it that total national expenditure is kept at a high enough level to create a demand for goods and services which will keep in a job everybody who wants a job. . . . How can it find this additional money without first collecting it in taxes? From two sources. First, it might borrow from the citizens and spend money which they would not spend anyway. Second, it might simply print the additional money and either spend this money itself or hand it out in some predetermined way to the public."

There is then only one question, and he puts it as follows: "Can a full employment policy, based on the Keynesian diagnosis, be operated without dealing a mortal blow at the market economy in which consumer and producer have sufficient freedom to preserve a sound foundation for a liberal society?" To find the answer he first quotes Keynes, who said that all his solution did was—

"...to indicate the nature of the environment which the free play of economic forces requires if it is to realize the full potentialities of production. The central controls necessary to ensure full employment will, of course, involve a large extension of the traditional functions of government. . . . Within this field the traditional advantages of individualism will still hold good."

To this Professor Jewkes adds:

"When the master has spoken thus, it is time for those who seek to twist his doctrines to their own political ends to take notice."

Professor Jewkes agrees with the master that the Keynesian formula may be applied without serious damage to the free economy. *All that needs to be planned is the national income.* Professor Jewkes, therefore, belongs to that school of planners. He imagines that when the government has planned the national income and has undertaken to maintain it at an ideal level by the device, (1) of taking money from the people by excess taxation and spending it for them, which is simply compulsory spending, or by the device, (2) of printing the money and somehow putting it in their pockets, it may let the results be what they will be—that is, it need have nothing to say about the disposal of the national income. Suppose people dispose of it badly. Suppose they spend too much for present satisfactions and not enough for the means to further production. If they do that, the national economy will collapse. Will the government say, "Let it collapse then, so only the people are free," or will it say, "To save

the economy from your folly your government must plan and manage the disposal of the national income it provides; it must control capital investment, and in order to control capital investment it must control also present consumption?"

Professor Jewkes doesn't ask that question. Nevertheless he has answered it when he says of planning that when a plan begins to go wrong the planners think only of more planning and more controls, with the conviction that what they are doing to people is for the people's good.—G. G.

Beyond the Marshall Plan

By Sir Stafford Cripps

Chancellor of the British Exchequer and Minister of Economic Affairs

THE one thing we must most firmly get into our minds is that the Marshall Plan gives us, in itself, no improvement of our conditions. It gives us the time, but the improvement in that time can only come from our own efforts. Let me just remind you of a couple of figures to emphasize what I mean.

During the year 1947 we utilized by way of borrowed dollars or from our own reserves about £1,000 millions to enable us to balance our overseas accounts. Those borrowed resources have practically come to an end and our reserves have reached a level below which it would be most unwise for us to allow them to fall. We not only need them for the current financing of our sterling area banking system but also we must have them when we no longer have any gifts or loans from overseas to rely upon.

Compared to that £1,000 millions we spent last year, we hope that the Marshall Plan will provide £300–£400 millions in a year; in other words, we have somewhere about £600 millions *less* in dollars and gold than last year to help balance our accounts—and they must be balanced. This must be achieved partly through nonrecurrent items and partly by economies on the one hand and increased production on the other. It is a very great task and unless we succeed it means either the loss of our reserves or cutting down on foodstuffs or raw materials, neither of which we can afford to do if we are to maintain our production at its highest point.

The Marshall Plan has for its object to give us in Western Europe the time within which we can so increase our production as to reach an eventual balance with the Western Hemisphere upon as high a basis of exchange of commodities and services as is possible. Since so much of our own prosperity depends on that of Western Europe and since the political and economic strength of Western Europe is a vital factor in the maintenance of progressive democracy in the world we have offered to co-

operate economically in the attempt to make Western Europe less dependent upon the Western Hemisphere. That is the first object of Western European cooperation, and we haven't very long in which to do it.

So far as our own efforts are concerned we have made a beginning and a not unhopeful beginning. But the higher we climb the steeper and more difficult the path.

The initial increases in production were easy. More and more people were coming back to industry, we were getting ourselves reorganized so far as world supplies permitted, we were getting all the raw materials we could accept, and as the situation eased somewhat our production increased. We got gradually into the tempo of peacetime production and we did not find any difficulty in disposing of all we could make.

But now the further stages of increasing our production for export are much less easy. Sales resistance is building up, we have almost reached the limit of raw material supplies, especially in some key commodities like steel, and there is no more labor to come back.

We must therefore increase our efficiency. That is the absolutely cardinal need of this new stage in the production battle.

The Doctrine of Equal Miseries

**Winston Churchill*

I DO not at all wonder that British youth is in revolt against the morbid doctrine that nothing matters but the equal sharing of miseries, that what used to be called the "submerged tenth" can only be rescued by bringing the other nine tenths down to their level; against the folly that it is better that everyone should have half rations rather than that any, by their exertions or ability, should earn a second helping.

*

What is the outstanding fact in our politics at home? It is the complete failure of the Socialist policy of nationalizing industry. One great industry after another has been transferred from profit-making to loss-making, from the credit to the debit side of our national fortunes.

*

Mr. Herbert Morrison told us some time ago that only 20 per cent of our industries would be nationalized in the present Parliament. Is it not throwing a hard burden on the other four fifths that they must

* Addressing a national rally of the Young Conservative Organization in Albert Hall, London.

keep these 20 per cent? Dr. Dalton told us that if private firms made undue profits they would be punished by being nationalized. "Abandon making profits," cries in effect this leader of left-wing Socialism, "or we will maltreat you as we have done the basic industries." No wonder Mr. Attlee took him back into the government, hoping he would do less harm inside.

*

The crucial test will be steel. The government have declared their intention to nationalize the most efficient, bread-winning, export-conquering industry in Britain. This reckless act of partisanship will carry them into deep waters. Party first, party second, and party third, and all other rights and interests of the British people nowhere. That was and is the Socialist slogan. In my long experience I have never seen such an exhibition of squalid party malice and intrigue, or one more cynically divorced from the revival and well-being of our country. No one seeking to revive British national industry would strike at the iron and steel trade now.

*

The Socialist government have become dependent upon the generosity of the capitalist system of the United States. We are not earning our own living or paying our way, nor do the government hold out any prospect of our doing so in the immediate future. Boasting of everything they have done, Mr. Attlee's Cabinet have in fact reduced this country to a position in which it has never stood before and which cannot continue. A little while ago we were told, "See how few are unemployed." Now Mr. Morrison and Mr. Bevin alike are forced to admit that but for the American loan and doles there would be unemployment on the scale of millions.

*

Socialism is the philosophy of failure and the gospel of envy. Unless we free our country while time remains from the perverse doctrines of Socialism there can be no hope of recovery. This island cannot maintain its population as a great Power under a Socialist or collectivist system. The most energetic and the nimblest will emigrate and we shall be left here with a hoard of safe officials brooding over a vast mess of worried, hungry, and broken human beings. Our place in the world will be lost forever, and not only our individual self-respect but our national independence will be gone.

*

Recovery will not be swift or easy. How easy to fall, how hard to rise. Do not fail to realize the peril and gravity of the hour. I am not a young Conservative but an old man. I would not stay in political life but for the fact that I cannot bear to see all that we have done, and all that our forefathers have done, in building us up to a great position, swept away.

England's Goodbye to the Sceptre

BY the kind of coincidence that bemuses history, just as Marshall Plan dollars were beginning to reach Great Britain *The Times*, London, was celebrating in its special way what it was pleased to call the Fiftieth Anniversary of Anglo-American Friendship. Editorially it said:

"History and facts have taken their course and the United States has come 'to the summit.' American resources have tipped the scales in two world wars, and it is a Pax Americana that the future waits for. But a condition of American success in the twentieth-century chapter is the recognition of British and European traditions and independence and of the extent to which the fruitful exercise of American power must depend, in its turn, on their free development.

"It is indeed no paradox, but rather the greatest lesson to be drawn from Anglo-American relations since Victorian days, that the United States has risen without Britain falling. Here is the unique fact about this link in history's chain. Nation has succeeded nation 'at the summit' as the centuries have gone by, but never before in partnership. Here for the first time responsibilities are being passed over without struggle or failure, without war or defeat."

Then it gave the right-hand side of the editorial page to the following historical narrative.

The Times, London, May 13, 1948

IT is just 50 years since, on May 13, 1898, Mr. Joseph Chamberlain made a speech in Birmingham which may be said to mark the opening of the present era of cordial Anglo-American relations. There have been quarrels, bickering, differences of interest and variations of intention between Britain and America in the past half century, but in any major international issue both countries have expected to find themselves on the same side, while in the century before 1898 it had been popularly regarded as inevitable that the New World, led by the United States, would find itself opposed to the Old World, led by Great Britain.

Mr. Chamberlain's speech was as significant in his day as Mr. Churchill's speech at Fulton in the United States two years ago—to which it bears other resemblances—and its importance was at once recognized on both sides of the Atlantic. He spoke at first to a somewhat apathetic audience about the dangers of Russian aggression and of the need in negotiating with their Foreign Minister "to sup with a very long spoon." Then suddenly his

hearers were roused by the fervor with which he began to speak of the United States:

"I do not know what the future has in store for us, I do not know what arrangements may be possible with the United States, but this I know and feel—that the closer, the more cordial, the fuller and the more definite these arrangements are with the consent of both people, the better it will be for both and for the world (*loud cheers*). And I even go so far as to say that, terrible as war may be, even war itself would be cheaply purchased if in a great and noble cause the Stars and Stripes and the Union Jack should wave together (*loud and prolonged cheers*) over an Anglo-Saxon alliance. . . ."

American Reactions

Fifty years ago to speak of Anglo-American friendship was not necessarily platitudinous. For a senior member of the Cabinet to propose an alliance was as sensational as it was unexpected, and *The New York Times* at once described it as "the most memorable speech that an English audience in either hemisphere has listened to in a generation." Support for it was widespread, and even the *Chicago Tribune*, mercifully denied the faintest prescience of its own future course, declared its unwavering adherence to the cause of Anglo-Saxon unity.

In London, though the speech had the immediate effect of causing a sharp break on the Stock Exchange and heavy betting at Lloyd's on a war with Russia within the year, newspaper comment was at first more restrained. In the next few months, however, a positive spate of articles appeared in both British and American magazines extolling the idea of "Anglo-Saxon solidarity," even demanding common citizenship, and proclaiming that Britain and America could alone, and alone could, preserve the peace of the world.

Anglo-American societies were founded in London and New York, including members of every Cabinet since Lincoln and Palmerston, with the object of promoting the idea of unity, while at the Lord Mayor's Show a popular float "demonstrated that blood is thicker than water." Finally it was learnt that the Prince of Wales had bought an "alliance" cravat on which were embroidered the Union Jack and the Stars and Stripes. Anglo-American relations, for the first time, had become fashionable.

"Us Semi-Americans"

Chamberlain's proposition did not of course come out of a clear sky. There had been a certain amount of rather arid discussion of the desirability of Anglo-American good will for several years, though when Professors Dicey and Adams put the idea forward publicly in 1897 they received "only a few friendly but discouraging letters." But the Leader of the

Liberal Opposition, Sir William Harcourt—who was, like Chamberlain, married to an American and used to address the Colonial Secretary as one of “us semi-Americans”—had been speaking with such warmth of the United States that the American Ambassador, John Hay, hinted to Chamberlain that he would be unwise to let the monopoly of good will toward America fall into Opposition hands.

The Birmingham speech, which followed this suggestion, was the first forthright and friendly statement about America by a member of the Government in several years. It suddenly raised the whole issue of Anglo-American relations out of the murky atmosphere of academic good intentions and diplomatic wrangling in which it had been sunk since the Venezuela controversy. Chamberlain had played a large part in settling that dispute, which had threatened war between Britain and the United States eighteen months before, and had been greatly impressed, in his visit to America, by the expressions of good will toward England which he had privately received from Secretary of State Olney.

Philosophic Doubt

His strong desire for closer relations with America was not fully shared by Lord Salisbury, who was Prime Minister and Foreign Secretary. The imminence of war between the United States and Spain offered Britain the chance to return some of the lessons on imperialism which Americans had read her in the past. Lord Pauncefote, Ambassador in Washington, asked for instructions to deliver a moral protest to President McKinley. Mr. Balfour, in charge of the Foreign Office in his uncle's absence, merely responded to the Ambassador's request with one of those expressions of philosophic doubt which for him so often did service for policy directives—but he sent copies of the telegrams to Chamberlain.

Chamberlain, who tended to regard America's Caribbean adventures as first proofs of her national virility, immediately and insistently urged on Balfour the imperative necessity of avoiding offense to American susceptibilities. As a result Pauncefote received explicit instructions in line with the Colonial Secretary's policy, and by the end of April the crisis was averted. But Chamberlain was determined to make his version of British foreign policy clear, not merely to America but to Britain and, perhaps it may be added, to his own Prime Minister and Foreign Office. This was the object of his Birmingham speech.

The measure of his success was demonstrated in a debate in the House of Commons on June 10, when the bitterest critics of the government's foreign policy vied with each other in their protestations of friendship for America. Chamberlain had made the issue of good relations with America seem

important, and he had put it beyond dispute as one of the objectives of a “bipartisan” foreign policy, which was to be pursued continuously through all the subsequent shifts and changes which characterized Britain's relations with other great Powers.

Exit the Traditional Enemy

In the United States the results of the speech, and the policy which it envisaged, were even more startling. Hitherto the belief had been unshakable that Britain was the traditional enemy ready to pounce on the United States in any moment of weakness. Now, as she erupted for the first time into world politics, the United States found most of the great Powers hostile and Britain her only friend. Even the hard-headed strategists of the American Navy were so impressed by Captain Chichester's elaborate gestures of friendship toward Admiral Dewey's fleet in Manila Bay, which were carried out under explicit orders from the British Government, that they made the fateful decision to abandon the traditional strategy of defending the Atlantic coast against a possible British attack and concentrated on producing a Pacific Ocean fleet. Theodore Roosevelt, who in 1896 had prayed that America might not be cheated this time of her war with Britain, by 1898 was publicly stating that the future of freedom and progress lay in the hands of a united English-speaking people.

Yet Chamberlain's approach contained one flaw, which, within a few years, seemed to have destroyed almost the whole of the popular enthusiasm in America for Britain. His emphasis on the myth of Anglo-Saxon blood, and his implicit assumption that imperialism was a common racial characteristic, came near to wrecking his project. A very large part of the American population was not Anglo-Saxon, and, as their attitude towards the Boer War demonstrated, they were irrevocably opposed, because of history and training, to what they regarded as imperialism in Chamberlain's sense of the word.

When he spoke of the Anglo-Saxon ideals of freedom and the rule of law Chamberlain built on far firmer rock. It was his aim to show that parliamentary monarchy and democratic republicanism had much in common when set against the menacing power of military dictatorship.

The enemy he named was Russia, but it was Germany, where Chamberlain was still angling for an alliance, which at once saw the menace to her plans of an Anglo-American entente, and began to intrigue against it. Twice the alliance with America, which Chamberlain was the first statesman to envisage, was brought into being on the side of Russia and against Germany.

Defense in the Dark

"We can bleed ourselves to death"

**By Senator Henry Cabot Lodge, Jr.*

THE same logic which impelled me last June to offer an amendment to provide for 70 air groups impels me also to point out today that we cannot achieve security simply by building airplanes. If we could, this world would be very simple. The truth is that if we thought that we were facing war this year we would do a great deal more than build 70 air groups; and if we are preparing for a possible war several years ahead, we would, above all, be sure that at the moment we went to war we had an industry which was capable of turning out the weapons which would be as modern and effective as science could design.

Our decision on this whole question can be intelligently made only in the light of two factors.

The first factor is the imminence of war. On this we appear to have divided counsels from the executive branch of the government.

The second factor is the amount of governmental expenditure which must occur before economic controls become essential. On this, too, we are completely in the dark. Yet these are the two vital prerequisites to an intelligent judgment.

Think of it. The two things we need to know in order to make that decision are the two things we do not know.

Confusions of Authority

The Secretary of the Air Force, for whom I have very real regard, in addition to pleading the cause of aviation which it is his specific duty to do, has, in response to questions from Members of Congress, made comments in fields regarding which he does not speak with especial or exclusive authority.

His view on the imminence of war must, of course, be matched up with that of the Secretary of Defense, the Secretary of State, the President of the United States, and the President pro tempore of the Senate. We do not know to what extent he was speaking for any of the officials in the executive branch.

His estimate that Russia will go to war on us as soon as she has the atomic bomb involves judgments regarding which, again, he does not speak with any professional or technical authority. Here, too, the opinions of the Secretaries of the Army and Navy and of the Secretary of Defense are also to be considered, and here again the most decisive opinion of

all would be that of the Secretary of State. So far as I know he has not expressed an opinion.

It appears to me to be at least debatable whether Russia would automatically go to war as soon as she develops the atomic bomb. She might be much more likely to go to war once she is satisfied that we are so loaded up with obsolete equipment and that our productive capacity has so lost its elasticity because of premature drains on its manpower and natural resources that we were incapable of fighting effectively. To me it is obvious that the time for the enemy to strike may not necessarily be at the moment that they develop the bomb, but at the moment when our capacity to retaliate is at its lowest.

Every thoughtful professional military man knows very well that our prime military asset is our industrial productive power, because it is an asset which is possessed to the same degree by no other nation.

Other nations have oil; other nations have minerals; other nations have young manhood; other nations have huge geographic areas, but no nation has productive power to the same degree that we have. That is our prime military asset.

There Must Be a Limit

We must not load ourselves up with equipment too early and do it at such a rate that we are forced to impose controls and thereby militarize our economy in a time of relative peace. The true test of statesmanship is whether we can do the job we need to do without militarizing our economy—without spending so much that we must enact wartime controls—thereby severely hampering our capacity for industrial growth.

In addition to the normal expenditures of government, we have just embarked on huge expenditures for foreign economic recovery. Today we decide to spend vast new amounts for our own defense. Tomorrow we may decide that we must appropriate more sums to arm certain foreign countries. Where is all this going to end? The European Recovery Program and our own civilian economy are, I am told, already threatened by steel shortages on account of our defense program. There must be a limit. Where is the limit?

There should, I believe, be a thoroughly scientific determination of what the point of public expenditures is at which we have to militarize our economy

* From a notable speech in the Senate on voting the seventy-group air-force program. *Congressional Record*, May 24.

and go to allocation, priorities, rationing, and other controls. Perhaps the Committee on Economic Report or the Joint Committee on the Budget should give us a finding on this subject. Certain it is that we cannot legislate wisely without having a sure and definite idea of just exactly what straw it is that breaks the camel's back. We know there is one, but which one is it?

We must also develop a better system for making our large-scale military preparations. Obviously, the Secretary of Defense needs more help. Obviously, too, the Congress must approach the task with more balance and more understanding.

Some of the Bitter Results

In fact, it has become painfully clear that no satisfactory method at present exists to resolve the differences between the Armed Services and to produce an intelligent and integrated plan. The services have massive staffs and long experience with which to back up their recommendations. The Secretary of Defense, although an extremely competent official, is, as the past few months have proven, so lacking in professional help that he cannot possibly resolve the differences.

What happens? The controversy is passed on to Congress and we here are thus required to resolve a technical dispute between professionals. It is utterly preposterous and would be comical if the consequences were not so dangerous. Let it also be noted that this situation is subjecting the heads of our Armed Services to bitter criticism which, while often undeserved, shakes confidence in our military men to a degree which can be dangerous.

Clearly, we must set up an intelligent method for resolving the differences between the services in a prompt, professional and authoritative manner and we must do so without delay. I have said that we can ruin ourselves by destroying our economy just as surely as we can be ruined by atomic bombs. There is yet another way—which is due to the fact that if we had to fight a future war along the organizational lines now existing between the three services we might well be defeated without extensive enemy action. We would simply have been snarled up in our own red tape. Our preoccupation lest some of the services lose some of their prerogatives can well result in our losing a war. Let us hope that the inexpressible confusion which has shrouded the topic of preparedness has finally taught us that the whole is more important than any of its parts.

Even if we take this lesson to heart and set up an intelligent method for resolving service differences, Congress will still have plenty to do in so far as the common defense is concerned. Our function is to match up the requirements of all the Armed Services

with all the other aspects of national life which involve the common defense. For example, there is just so much man power in the United States; our task is to prescribe policies for its use. There is just so much productive power in the United States; our task is to prescribe policies for its apportionment as between military and civilian items. There are just so many raw materials and natural resources in the United States; our task is to develop policies for their conservation and use.

In these days of total war and total foreign policy, we in Congress have enough to do without getting into the disputes between the uniformed services. Except where these disputes impinge on the broad field of national policy, these matters should be settled in the Pentagon—and they should be well and authoritatively settled.

Congress, therefore, must not ask witnesses questions which lie outside of their special province. We must proceed with balance and understanding. We must not conduct ourselves in such a way as to deserve the remark attributed to James Reston, of *The New York Times*, that “when you tell Congress nothing, they go fishing; but when you tell Congress the facts they go crazy.” We must get some balance and some moderation in our views of these matters.

If We Do It in Anger

I hope future historians will not record that in these years Russia merely sat back and by angering the American people caused this country to make such vast expenditures of money, materials, and man power for so long a period of time that the United States, because of its so-called preparedness program actually killed the goose that laid the golden eggs. If we increase appropriations every time we get angry, we can, over a period of years, bleed ourselves to death.

I object to being bullied or hornswoggled by any foreign state into weakening, if not destroying, our prime military asset—which is our productive capacity. Measures of immediate preparedness must not be of such a nature that they force us to militarize the American economy.

It is high time that professional military men, in common with members of Congress, cease taking the narrow view that if Congress provides for one particular military activity, all will be well. They ought to be equally concerned with the maintenance of our productive capacity. In fairness, I shall say that many of them already are. They ought to be equally concerned with the vital necessity for maintaining a free economy in this country because the experience of the last war should have taught us all that this productive skill will be the decisive factor in any war of the future.

Spending America

**By Senator Harry F. Byrd*

Senate Finance Committee

IT now appears certain that we are rapidly approaching, as I will show, an annual federal budget of not less than \$50 billion, and perhaps more. In other words, we will soon spend in one peacetime budget more than the total cost of World War I. This will mean an increase in taxes which will shake the private enterprise system to its very foundations.

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The figures I give are in agreement with official estimates, allowing for a variation of approximately 5 per cent in the total amounts. It is my confident belief, as conditions now appear, that the total expenditures given by me are conservative and are more likely to be exceeded than reduced. The financial picture of actual out-go and income for the next three years can be stated conservatively as follows:

	<i>Expenditures</i>	<i>Income</i>	<i>Deficit</i>
	(In Billions)		
Fiscal year beginning July 1, 1948	\$43.8	\$40.	\$3.8
Fiscal year beginning July 1, 1949	47.5	40.	7.5
Fiscal year beginning July 1, 1950	49.6	40.	9.6

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It can readily be seen that we may face shortly an increase in taxes of \$10 billion, which, pyramided upon existing taxes, will place a crushing burden upon the private enterprise system and the taxpayers of America. A deficit of approximately \$7 billion, in the fiscal year beginning July 1, 1949, will make it necessary to pass a new tax bill next spring.

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The economy program here at Washington has almost completely collapsed. It is only an aroused public sentiment that will prevent the catastrophe of a tax burden which may weaken, if not destroy, our capitalistic system.

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The Republicans have done a lot of talking about economy but have accomplished little. The Demo-

crats, in the high command, have not even done any talking.

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Take the case of federal employees, one of the most outstanding opportunities for retrenchment. I recall that when the Republicans came into power, time and time again pledges were made by their leaders that their first effort would be to reduce the overwhelming bureaucracy that has been built up here at Washington. Indeed, to date, little, if anything, has been done to reduce the federal employees on the regular rolls. The year before the war we had less than one million employees. Now we have two million, and the federal employees are increasing at the rate of 500 per day. In fact, it is anticipated that even a larger daily increase will occur from now on. This increase could not have been possible unless the Republican Party voted in favor of appropriations to make it possible to continue to increase the bureaucracy at Washington. The cost of the federal payroll is now at the rate of about six billion dollars, and it so happens that this sum is nearly twice the total cost of the Federal Government when I came to the Senate on March 4, 1933.

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I want to warn the Senate that we are rapidly approaching a real crisis in our federal expenditures. We have undertaken obligations that could destroy our free enterprise system. I do not believe that this great representative democracy can preserve its private enterprise system, which is its foundation stone, and spend \$50 billion a year for federal expenditures and \$13 billion, or more, for local and state expenditures, making a total of approximately \$65 billion for government, or more than 30 per cent of the present combined personal incomes of all Americans.

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It is my belief that the collection of taxes necessary to finance a federal budget of approximately \$50 billion would involve the imposition of federal controls as great, or at least nearly as great, as those now being imposed in Great Britain. England is now operating a peacetime economy with more drastic controls of its business and citizenship than it had during any of the many wars in which that nation has been involved. I am told that at this

* Excerpts from a speech in the Senate.

time not less than 25,000 rules and regulations have been imposed by the bureaucracy of England in the attempt to control the private business economy of the country and the private lives of the people.

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Let me repeat a statement of grave warning given by the Board of Governors of the Federal Reserve System before the Joint Committee on Economic Report on April 13, 1948: "We believe that the country sooner or later has to choose. . . . First, we can continue on the present course of providing essential foreign aid and carrying out a military program on a scale of as yet undetermined size and cost, while at the same time we have no effective check on the free play of economic forces. *This is the certain road, if followed long enough, to a ruinous inflation.* Secondly, the country could be subjected to a full harness of direct economic controls—for example, allocation, rationing, price and wage controls, as well as taxation at higher levels. The question is how long, to what end, and at what consequence to our economy. Do we have the inexhaustible supplies of manpower and resources to support indefinitely, with no end point in sight, programs of the magnitude which we now are shouldering or contemplating! We cannot go on year

after year bearing these crushing costs without jeopardizing what we are seeking to save."

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When the European Recovery Program was before the Senate, I voted against it because I did not believe America could maintain its private enterprise economy and establish a strong military defense, and, at the same time, give economic aid to sixteen European nations.

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In the foreign field we are now confronted with a new area of expenditures. It is a proposal that has been discussed in official circles but has not yet been presented to the Congress—to arm and send lend-lease materiel to the sixteen nations included in the European Recovery Program, the ultimate cost of which will, of course, be enormous, and if it is adopted, our estimates must be increased.

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Once we recognize that we cannot bribe nations to change their form of government, that we cannot purchase friendship with bounty, and that the safety of this country depends upon a strong national defense, the sooner we will be able to work out of the difficulties that now confront us.

The Marshall Plan Simplified



From "Dollars, Goods and Peace," by the Foreign Policy Association. It says: ". . . if we decide against imperialism, we shall have to find a substitute for it that will steadily lessen the tremendous gap between Western standards of living and those of most of the rest of the world."

"I Have Changed My Mind"

Senator Robert A. Taft

Debate on the Bill To Subsidize the Country's Public Schools with Federal Money

WASHINGTON CORRESPONDENCE

Washington, D. C.

THE principal sponsor of S.472—a bill to subsidize the public schools of the entire country with Federal money—was Senator Robert A. Taft. To get it passed by the Senate was both a personal triumph and a demonstration of his skill as a parliamentary driver. He had to overcome a resistance so deeply rooted in the American tradition as to be in fact a political instinct. But that was not all. He had to overcome that instinct in himself.

Only five years before, it was Senator Taft who led the opposition that killed a similar bill, and at that time he expressed his convictions in these words:

"This proposal is, in fact, the beginning of a revolutionary change. . . .

"The Federal subsidy project has been before Congress for a number of years, promoted by the National Education Association and the Federal Office of Education, but not by the states themselves. Previous bills have been based entirely on the principle of equalization, and have all been based on the argument that because some states spend much less money per pupil than others, the way to improve education is to subsidize those states.

"The whole project is based on the assumption that the more money that is spent on education, the better the education is. This conclusion is perhaps open to question. Startling ignorance regarding American history, which was discussed in the Senate last spring, certainly could not arise from lack of financial resources. It appeared among students from all over the United States, and in many instances from students who came from those states which spend the most money on education. Undoubtedly education in some states is handicapped by lack of funds, but there are other ways in which American education can be improved besides granting Federal subsidies.

"The adoption of the present bill would undoubtedly embark the Federal Government in a gradually increasing expenditure from which it would never be relieved. If we once pay from two hundred to three hundred dollars of the salary of every school teacher in the country, how can we possibly ever withdraw that support? Even if the states become richer they will never be willing to take over this burden. Having yielded once to a very strong pressure there will be no way in which to prevent a further yielding. The desires of the educators are almost without limit. . . .

"There is an even more important question. Can federal subsidies to the public-school system be main-

tained without ultimately bringing about a nationalization of our educational facilities and federalized bureaucratic control? This is an eventuality which the proponents of the present bill insist is not intended and which they maintain can be avoided. They contend that by the provisions of Section 1 the danger is removed. We seriously question this conclusion.

"Our experience with the social-security laws and many others leads to the definite conclusion that federal subsidy in the end means federal control. Those who put up the money and have the power to refuse it dictate the policies of the local officials. Federal bureaucrats travel the country, checking upon the expenditures and the policies of every school board and other local officials. . . .

"Of course, the same thing is true of all Federal-aid programs, but the effect is much worse in the case of education. It is unnecessary to expand on the tremendous danger of centralized control of education, because the authors of the bill agreed to those dangers when they wrote Section 1. Centralized control of education gives a power to the central government far beyond that of any other control, as Hitler illustrated in Germany. It places the whole character and knowledge of the people in the hands of a Federal bureau. That bureau is more than likely to be guided by some small group of men who believe in this method of education or that method of education. It transfers the control from the people of each district to a man or men wholly beyond the control of public opinion. . . ."

What the People Want

During the debate, as he moved S.472 toward its passage, Senator Taft was confronted with these words and asked how he could reconcile them with what he was now doing. He was not in the least embarrassed. He said:

"I feel strongly that in the fields of education, health, housing and relief, the Federal Government has a secondary obligation. . . . I have not been able to find that the Congress of the United States, when appealed to on a major question, is prepared to refuse to act. If we should have unemployment to the extent that relief were required, and people should come here asking for aid, we could not refuse them. It may be constitutional, but it is not practical. . . . It might be possible to make a logical argument in that connection. I tried to make such an argument for a while, when I first came to the Senate. It appealed to no one. The people were not satisfied. They said, 'You have the money; you can help. You cannot stand behind the Constitution and

say you are not going to do it, when you are the only people who can do it. You must do it.' ”

Senator McMahon said: “The Senator surrendered. Is that it?”

Senator Taft replied: “I will say that I have changed my mind.”

He then went on to develop a singular idea. It was, in brief, that the way to prevent extreme centralization of government in Washington was to help the states by federal subsidies to the point at which they would be strong enough to resist the encroachments of Federal Government. Federal aid without federal control. That was the idea. He said:

“In matters affecting the necessities of life—and I should like to confine it so far as possible to relief, to education, to health, and to housing—I do not believe the Federal Government can say it has no interest, and say to the people, ‘Go your way and do the best you can.’ I do not believe we should do that. Because of the way wealth is distributed in the United States I think we have a responsibility to see if we cannot eliminate hardship, poverty, and inequality of opportunity, to the best of our ability. I do not believe we are able to do it without a federal aid system. I have introduced bills with reference to federal aid in housing, in health, and in education.

“My theory is that if we do not undertake a federal aid program, we shall have a national program forced upon us, as was true during the emergency. We had CCC camps for education. We had the NYA for education. I believe that many of those behind universal military training want the Federal Government to do some direct educating. They want to educate the boys for greater discipline. I think it would be far better to strengthen the states—the strong states as well as the weak states.”

From the Rich

Senator Taft’s attention was called to the awkward fact that although the school subsidy might ease the condition of poor states it would tend at the same time to hurt the rich states. For purposes of this national subsidy, for example, the Federal Government would take from New York State \$60 million in taxes and give back to it only \$12 million, or from Missouri it would take \$7 million and give back only \$3 million; whereas Alabama’s contribution to the national subsidy fund would be only \$3½ million and it would receive \$19 million, and Mississippi would contribute only \$2 million and receive \$17 million. How then should one regard this proposal—as a subsidy of the nation’s schools or as a redistribution of the nation’s wealth among the states, from the rich to the poor?

Senator Taft’s answer was to say that all states, rich and poor alike, were finding it increasingly difficult to raise money for what they wanted to do, and that was why not only the country but the states themselves were dissatisfied with their prog-

ress in matters of health, housing and education. One reason why it was hard for them to raise money was that the Federal Government had so largely preempted the sources of tax revenue, notably the income tax on individuals and corporations, with the result that it was easier for the Federal Government to raise the money and give it back to the states than for the states to raise it for themselves. He had come to the conclusion that:

“If we are going forward in these particular fields which affect human welfare I believe very strongly that we must strengthen the financial systems of all the states. For the present, at least, I think the way to do it is through the general policy of state aid. I believe that the general argument applies in New York—perhaps not to so great an extent as in the poorer states, but according to the same principle. . . .

“We might meet that situation by having the Federal Government act as a collector and simply collect the money and turn over a lump sum to the states. That is not a very practical suggestion. I do not believe that even the wealthier states are able today to do all the things the people want them to do. They are not able to do it simply because the power of the states to levy taxes is very limited and unsatisfactory.”

Some Senators suggested that a very simple remedy would be for the Federal Government to collect less in order that the states might collect more from their own sources of tax revenue. Senator Martin said:

“I would suggest not a plan to subsidize their educational systems from the Federal Treasury, but rather that they be given an opportunity to help themselves. Let Congress withdraw to some extent from the field of taxation so that the states can move into the field relinquished by the Federal Government.

“A more equitable allocation of tax sources among the three levels of government would aid states and local communities to meet this problem. At the same time it would prevent the creation of another center of bureaucracy at Washington.”

To that Senator Millikin added:

“I want to suggest again that there is a lot of funny business about states’ rights. There are many people who talk states’ rights who do not mean it. I want to suggest that if we have reached the point where our well-to-do states are going to shift a part of their burden to the Federal Government, states’ rights are gone. I think that we are starting a very bad precedent when states, short of showing that they can go no further, put a part of their burdens and responsibilities on the Federal Government. At that point states’ rights are at an end, and the states become mere administrative units to an all-powerful central government.”

Senator Taft said:

“The only danger, which I am quite willing to admit, is that in future years someone will try to use

these appropriations as a means of imposing federal control. That is a possibility.”

Nevertheless, he would sooner take that risk than do nothing:

“My feeling has been that it is easier for me, at least, to stand on the ground that we will resist such control, than it is for me to stand on the ground that constitutionally the Federal Government has nothing to do with the welfare of a great many children who are not getting an education, and so absolutely refuse any federal aid for that purpose.”

The Disclaimer

The principal difference between *S.472* and the several similar bills before, which Senator Taft had helped to kill, was this—that the disclaimer of any intention on the part of Congress to give the Federal Government control of public education had been rewritten by a sentence 207 words long, as follows:

“Section 2. Nothing contained in this act shall be construed to authorize any department, agency, officer, or employee of the United States to exercise any direction, supervision, or control over, or to prescribe any requirements with respect to any school, or any state educational institution or agency, with respect to which any funds have been or may be made available or expended pursuant to this act, nor shall any term or condition of any agreement or any other action taken under this act, whether by agreement or otherwise, relating to any contribution made under this act to or on behalf of any school, or any state educational institution or agency, or any limitation or provision in any appropriation made pursuant to this act, seek to control in any manner, or prescribe requirements with respect to, or authorize any department, agency, officer, or employee of the United States to direct, supervise, or control in any manner, or prescribe any requirements with respect to, the administration, the personnel, the curriculum, the instruction, the methods of instruction, or the materials of instruction, nor shall any provision of this act be interpreted or construed to imply or require any change in any state constitution prerequisite to any state sharing the benefits of this act.”

Senator Taft said:

“That language is as strong as we can write it. . . . The only function of the Federal Government would be that of an auditor. The Federal Government will audit the distribution of the money to see that \$50 per child is spent in every school. It will have no more to say about the exact method by which education shall be administered.”

Everybody knew, of course, that such a disclaimer could bind only the Congress that made it, not any future Congress. Senator Byrd said:

“I do not believe that the guaranties in the bill, to the effect that it will be a home-rule bill, are worth the

paper on which they are written. There is no way by which one Congress can guarantee that a future Congress will not change what has been done. All that would be required would be a majority vote on the part of the House and the Senate, and every provision of the law could be changed at any time. So there is no assurance, no guaranty.

“There is the further fact that there is not a single federal subsidy today which is not controlled by the Federal Government so far as the manner and method of its expenditure are concerned. . . .

“I think there is a certainty that sooner or later, if this bill is enacted, the Congress of the United States will direct how this money is to be spent. Of course, the localities or the states could refuse the money. That is true; but Senators who have been governors of their states know, that once the money has been integrated into the finances of a state the denial to the state of such large sums of money would create a very dangerous and difficult situation. . . .

“I think there have been quite a number of bills which have provided, in their original text, that the sole control of the funds should rest with the states and localities; but in each and every case, sooner or later the Federal Government has exercised control over its own funds. No one can blame the Federal Government for doing so. Those funds represent money which comes out of the Federal Treasury. It is questionable whether we ought to turn over to the treasuries of the states such large sums without any strings whatever attached to them.”

The Bill

So the Senate passed the bill — yeas 58, nays 22, not voting 16. It is not yet a law because it has not passed the House.

Senator Martin said:

“What we have here—let us face it frankly—is the beginning of something which will grow and grow through the years. This is something which, if started, probably no Congress will ever succeed in bringing to a halt. No future Congress will be able to resist the pressure to increase the three hundred millions to more and more.

“Some months ago a group of educators came into my office urging my support of this measure. When they were questioned whether \$300,000,000 could do the job they had in mind, they admitted that it was only a start. They explained that the \$300,000,000 for the first year and perhaps the second year was, merely to get the precedent established. After that—they said frankly—they would go after increased appropriations. They would press for more. Perhaps they would need \$1,000,000,000 a year to widen and expand their program.”

And in 1943, Senator Taft himself had said: “The desires of the educators are almost without limit. . . . Having yielded once there will be no way to prevent a further yielding.”

As a beginning, what does *S.472* propose to do?

The purpose is to guarantee a minimum expenditure of \$50 a year for each child, from 5 to 17, in every public school in the country. For that purpose Congress would appropriate for the first year \$300 million, to be distributed not equally among the states but according to a formula that favors the poor states.

To be eligible for the federal subsidy a state must devote at least 2 per cent of its annual tax revenue to its public schools. If then it is unable to spend \$50 a year for each child, the Federal Government will make up the deficit. But many states already spend more on their schools than \$50 a year per child. The national average is \$125. But these rich states, already spending more, must be included too; and so, no matter how much they spend nor how able they may be to spend more, they shall receive from the Federal Government a subsidy of \$5 a year per child to do with as they please.

The rich states obviously get the short end of this. To raise the national subsidy fund the Federal tax collector will take from them much more than the subsidy fund gives back to them. The argument for this is that education is a national concern to which the rich states are obliged to contribute according to their means, or that education is in fact a form of national defense, or, better still, the argument of Senator Sparkman who said:

"I recall that I asked a gentleman from one of the New England states this question: 'Do you believe that we ought to have Federal aid for education?' His answer was: 'Mr. Congressman, if you raise mules and send them out we buy them from you and we pay you for raising those mules. But instead you are raising children and paying for bringing them up and educating them, all at your own expense, and sending them to us to become producers in our economy, and we pay you nothing for that.'"

The case for federal subsidy of public schools has been very widely and systematically publicized by educational associations, by government agencies, in speeches, in magazine articles and in the news. For the case against it there has been no organized propaganda and the literature on that side is by no means voluminous. But for those who want it there are two notable items. One is the Minority Report of the Senate Committee on Education and Labor, by Senator Taft, for himself and three others on S.637, in 1943. This is a public document. It may be obtained from the Public Printer, Washington, D. C., if it is still in print, and if it is not, it will be found in *The Congressional Record* of March 31, 1948, beginning on page 3897. The other item is a pamphlet entitled "Shall Government Subsidize Our Public Schools?" by Dr. Robert A. Millikan, published as a Supplement to the Autumn, 1947, number of *American Affairs*.

Labor

The Right To Strike

By Frank T. Carlton

Case Institute of Technology

RIGHTS are granted or allowed by society. Rights are not fixed and unchangeable. Certain rights which seem good and desirable in a pioneer society may be obsolete and dangerous in a complex, industrial society such as the one in which we live. In pioneer days the disposal of wastes or the use of the highway was not subject to rules or regulation. Each individual did as he pleased in regard to the disposal of waste material and the use of the highway. Today, the descendants of the pioneer are subject in the interests of the public to strict sanitary regulation and traffic rules.

In the departed days when my grandfather and other pioneers produced nearly all their families consumed and traded very little, the demand of the public for uninterrupted operation of business was too faint to be heard. Today, in the midst of a civilization characterized by large urban population, huge corporations, powerful unions, extraordinary transportation facilities, and subdivision of labor, in a time when each one of us depends upon the work of distant and unseen persons and instrumentalities for food, clothing, and so on through a long list of commodities and services, the demand of the public for uninterrupted service is loud and insistent. A new right, the right of the consuming public to insist upon a steady flow of consumables is coming into the foreground. It is taking its place along with, or in front of, the right to strike or to carry on business without interferences.

Other Rights Have Changed

Property and contract rights have undergone marked changes in recent decades. The police power exercised supposedly for the benefit of the general public has been stretched by the American courts, and the older right to make legally enforceable contracts has been contracted. A law limiting the hours of labor of women in factories and legislation fixing the minimum wage are examples of limitations upon the rights of contract. Such legislation has been held to be a legitimate and desirable extension of the police power. The Supreme Court of the United States interpreted the meaning of interstate commerce very differently in the cases establishing the constitutionality of the National Labor Rela-

tions Act than would the court as constituted only a short time ago. The view that manufacture may be a part of interstate commerce would have been considered illogical and fallacious in the days before the assembly line, rapid and regular transportation, and a high degree of specialization.

The prime cause of these marked changes in attitude during recent decades may be ascribed to the growth of our population, the increased size of corporations, and other concomitants of technological and scientific advances. A new concept of the manufacturing process has been forced upon the Supreme Court. As a consequence, the right to do business without interference has also been narrowed. If these and other important limitations upon management in the operation of a business have been imposed, may we not logically anticipate that the right to strike may be in the process of suffering curtailment at least in the case of public utilities or key industries, such as coal mining?

As has been suggested, the right to do business is not absolute. It is interfered with in many ways—health regulations, labor legislation, fixing of rates in public utilities, the National Labor Relations Act, and a multitude of other legislative restrictions. In a similar fashion the right to strike is not and never has been absolute. Strikes by soldiers, policemen, firemen, and post-office employees are banned. Sympathetic strikes, general strikes, sit-down strikes, and striking to obtain the closed shop are of doubtful legality.

With the increased interest of the general public in the continuous functioning of business, the right to strike may be further modified in the interest of the general welfare. May not the police power be invoked to prevent strikes which seriously endanger the welfare of citizens of the nation as legally as to prevent sweat-shop labor? The rights of the public should be and indeed will be given increased recognition by our courts and by public opinion. The right to strike which was given legal recognition in an era of small-scale industry and weak unions should now be reexamined.

The New Monopoly

A strike in an important industry such as a public utility, coal mining, or steel fabrication can no longer be considered to be merely a private war between a small segment of capital and labor. The health, happiness, and even the life of many a person not directly connected with the dispute may be endangered by a tieup of one of many key industries. A shutdown of the railways, electric power plants, or coal mines would soon bring the nation to the verge of chaos.

In the earlier history of American unionism, only a portion of the workers in any given occupation

were organized. No monopoly of certain types of labor power existed. Arbitrary actions on the part of unions or of their leaders were checked by the competition of nonunion workers.

With the rise of big unions, including in their membership a large percentage of the workers in the industries concerned, a new situation arises. Today in the soft coal industry—a vital or key industry in a technological age—one well-disciplined union includes practically all of the workers in or around the coal mines. Unlike earlier unions, it is an inclusive and monopolistic organization. It controls almost all of the labor power available for coal mining. The public interest, often disregarded by large business interests, is now neglected by a combination of wage workers. Powerful unions are challenging the public as well as management.

Doubtless, mine workers have been badly treated in the past, doubtless many of the coal operators are short-sighted employers, but there is no virtue in dodging the fact that the people of the United States and their government are confronted by a powerful labor monopoly, controlled by as ruthless a dictator as may be found in all the history of corporate monopoly.

Shift of Power

Instead of dealing with a state-made corporate organization which may be taken over, if necessary, by the government, we face an organization of half a million workers whose political as well as economic strength is great. If a large corporation or the firms in a trade association should stop production in a vital industry, the matter would soon be settled by pressure from the government. If, however, a large and inclusive union follows the same course of action, the opening up of the industry is much more difficult for a democratic government.

In a dictatorship, a part of the workers who refuse to work may be placed in slave-labor camps, or a group of their leaders liquidated. Soon, work would be resumed. In a democracy, if the pressure of public opinion is insufficient, little can be done. The injunction may be used or compulsory arbitration may be legalized; but in the case of a determined group neither alone will insure industrial peace.

The strike is a weapon highly prized by organized labor. With this weapon in the background at collective bargaining conferences, labor hopes to gain concessions which otherwise might not be granted. Actual bargaining signifies equality of bargaining power. Collective bargaining between management representing a group of stockholders and the officers of a labor organization should be carried on without great inequality of bargaining power. The National Labor Relations Act of 1935 was an attempt to strengthen the bargaining power of unions. It was

then held that large corporations or associations of business firms were more powerful than the unions of that day. Since the passage of that Act, unions have gained in membership, financial resources, and inclusiveness. In 1947, Congress presumably reached the conclusion that the balance of bargaining power was at that time in favor of large and inclusive labor organizations. The Taft-Hartley Act represented an effort again to attain a better balance of bargaining between management and labor. In the background of the stage setting for this legislation of 1935 and 1947 was the notion that equality of bargaining makes for industrial peace.

Investors and managers in public utilities industries cannot arbitrarily stop operating those industries. Without serious injustice, workers employed by public utilities may be asked to agree not to act collectively in order to suspend the operation of the business. If public utility workers are required to give up the right to strike, in justice some concessions must be given to offset the loss of this weapon of organized labor. It should be pointed out that taking away this right of concerted action to force concession from employers does not take away the right to quit individually. There is a clear difference between quitting a job and striking. Since in public utilities generally rates are subject to regulation, it would not be difficult to limit the rate of dividends allowed stockholders and to divide profits over and above the dividends requirement among workers, management, and owners.

Long Division

Profit sharing might reduce some elements of friction in labor relations. Profit sharing might lead the workers to become directly and actively interested in the efficiency of the entire personnel of the plant. As a fundamental matter, there is also need for a yardstick to determine fair wages and reasonable working conditions as well as fair returns to stockholders. The interests of the stockholders, the workers, the management, and of the consuming public are not identical; but there are common elements, and emphasis upon what is common will aid in reducing friction in labor relations. It may also be suggested that excellent personnel management is basic for peaceful relations. With profit sharing or some other incentive plan and reasonable good human engineering on the part of management, the fashioning of a yardstick to measure fair wages should not be outside the realm of the practical.

The law court has largely replaced the feud and the duel in ordinary human relations in which divergent interests come to the front. In key industries in which friction leads toward strikes, slow-downs, or sabotage to the serious injury of the public, the court of arbitration should be introduced

and the strike outlawed. Justice in labor relations when the welfare of masses of the population is at stake should not be more difficult of attainment than in the far-from-perfect law court. Arbitration may be anticipated to become more and more acceptable to all parties concerned as common interests are developed and as standards of fair practice in industry are determined.

As approximately seventy per cent of the net national income is paid out in wages, including an allowance for wages in the case of those working for themselves, and perhaps five per cent to seven per cent additional goes in the form of social security payments, only about twenty-five per cent or less is left to be absorbed by rent, interest, and profits. Under any expanding economy, the total amount paid in wages must fall considerably below the total national production, less reasonable allowance for depreciation and obsolescence. If private industry and investment are permitted, some return must be allowed enterprisers and owners for saving and taking risks. These statistics indicate that the possibility of higher real wages in the future depends fundamentally upon increasing the national output rather than upon increasing the fraction going in the form of wages. Repeated resort to strikes, closing plants instead of settling labor disputes around conference tables or in courts of arbitration while production continues, will tend to reduce national productivity and react adversely upon organized labor as well as the remainder of the general public. On the other hand, industrial peace, accompanied by the skilful use of individual or group, financial and nonfinancial incentives which make for efficiency and for interest in work, is a prime requisite for higher standards of living. Industrial statesmen in the ranks of both labor and capital are sorely needed in the midst of today's confusion and rivalries.

In That Case—What?

THE resolution adopted by the Railway Labor Executives' Association, demanding that the railroads, now temporarily in the hands of the government, be nationalized—*on the grounds that labor relations are unsatisfactory*—was as follows:

Be It Resolved, that we demand that the government, having designated itself as the legal operator of the railroads, assume the full responsibilities of operation; that the government take control of the revenues of the railroads as it already has taken control of the employees of the railroads, and proceed to bargain upon wages and working conditions, and

Be It Further Resolved, that the government, moved by the present demonstration of the inability of railroad management to maintain satisfactory labor relations and conditions upon the railroads, and further in

view of other recent and similar critical situations, as well as other failures of railroad management to meet the public need for efficient, prompt and full services, begin preparations for the transfer of railroad ownership from private interests to the United States of America.

The Railway Labor Executives' Association represents the Brotherhood of Locomotive Engineers, the Brotherhood of Locomotive Enginemen and Firemen, and the Switchmen's Union of North America; and they went on strike because they were unwilling to accept the government's formula for a settlement of the wage dispute. Presumably if the government had owned the railroads it would have proposed the same settlement. In that case, what would the unions have done?

Portent

From the Catholic Review, *America*

WHEN President Truman, using the authority of a law passed during World War I, seized the nation's railroads at noon, EST, on May 10, and a few hours later directed the Attorney General to seek an injunction against the strike scheduled for the next morning, all the members of the Railroad Brotherhoods, and probably all railway employees, lost their right to strike. For the moment, it is true, they still retain in theory the *legal* right to strike, but it will be only a question of time before the law catches up with reality and abolishes the strike as a means of securing labor's economic demands on railway management.

The fact is that the growing complexity of our economy and the interdependence of its manifold parts have made the historic weapons of industrial warfare—the strike and lockout—anachronisms, not merely in rail transportation, but in certain basic industries, such as coal and steel, as well. The great problem now becomes—and for a democracy it is a most delicate problem—the finding of some substitute that will assure justice to all concerned. It will not do, as some antilabor Congressmen have suggested, to solve the problem of paralysis strikes by outlawing industry-wide collective bargaining,

or by otherwise atomizing and weakening organized labor. That approach would merely subject workers to exploitation and serfdom and clear the way for complete big-business dictatorship over our economy. It will not do, either, to rush breathlessly into public regulation or public ownership of these basic industries, although one or the other may eventually appear as the only feasible solution.

From a democratic viewpoint, the best possible answer seems to lie in the creation, by law, of industry councils empowered to make broad decisions respecting production, wages, maximum prices and even profits. These councils would function on the industry level, and be composed of an equal number of union and employer representatives together with spokesmen for the government. All decisions of the industry councils would have the effect of law and be enforceable in the courts. While this would not be free enterprise as we have known it, it would most certainly be democratic enterprise. And it might well be our last hope of maintaining free enterprise in other sectors of the economy.

Whose Wares Happen To Be Man Power

From *The Economist*, London

THE government has announced its intention of dealing with monopolies. This is good news. But the practical steps for such action remain obscure; so does the nature of the restrictive practices which the government might consider to require action.

Will complaints against trade union restrictionism and aggressiveness in wage policies be considered? They should be; no monopolists pursue more single-minded policies of exclusion, restriction and extortion than some of the craft unions. . . . Above all, will the "feather-bedding" of the inefficient get as much attention as the profit margins of the efficient? . . . Few Socialists are capable of envisaging trade unions as what they are in fact — highly aggressive monopolies whose wares happen to be manpower.

DOING for people what they can and ought to do for themselves is a dangerous experiment. In the last analysis, the welfare of the workers depends upon their own initiative. Whatever is done under the guise of philanthropy or social morality which in any way lessens initiative is the greatest crime that can be committed against the toilers. Let social busybodies and professional 'public morals experts' in their fads reflect upon the perils they rashly invite under this pretense of social welfare.

—Samuel Gompers, in *The American Federationist*, 1915.

Review

Disaffection of the Intellectuals

IT cannot be supposed just to happen that current educational literature is increasingly marbled with sympathetic writing about Soviet Russia. It is done with an air of pure intellectual detachment; and then as it puts itself forth under the imprint of a great university or the imprint of a foundation for the propagation of knowledge or sometimes even the imprint of the Government of the United States in the case of a public document, it enjoys almost complete immunity. If it is propaganda it is protected by the American tradition of free academic expression above the dust of politics; if it is not propaganda, then all that is left to say about it is that it reflects that strange deformity in the life of the American mind which may be called the disaffection of the intellectuals.

The premise is always the same. It behooves you as an intelligent American to understand Soviet Russia, not only because, whether you like it or not, it is the second biggest thing in the world and may become first, but because also it is really a new way of life—a new kind of civilization. And what follows from this premise is undeviating. To understand Soviet Russia you must know the ideals, the theory and the philosophical meaning of communism. Therefore, the Marxian case must be stated; and it must be stated sympathetically since you cannot expect to understand anything if you approach it in a hostile spirit.

Seldom in the world has there been tyranny or a dictatorship or any form of wrong government that could not make a case for its ideals and good intentions. No thoughtful person says that the ideals and intentions of theoretical communism are bad. The ideal intention of the Inquisition was to save souls from damnation. Pursuing that intention it broke human beings on machines of torture to make them confess their thoughts and burned them at the stake for heresy, or as now we should say for theological deviations. Those who want to know how communism was meant to work may read Marx, Lenin, or Stalin. What people now want to know is how in fact it does work. They want to know why it has to be imposed by force and terror and why those on whom it is imposed lose their freedom. More than that, they want to know what happened to communism in Russia, since it no longer exists there, and what is the nature and meaning of Soviet Russia's design against the world. But in all this

sympathetic writing, questions of that kind are either ignored entirely or they are treated as if they could be asked only by those who take their ideas of Soviet Russia from the newspapers instead of trying really to understand the new civilization.

A notable example of the method is a book entitled* "USSR: A Concise Handbook," from the Cornell University Press. The title page is red—a nice touch there—and the first paragraph of the preface reads:

"During the summers of 1943 and 1944, Cornell University, with the support of The Rockefeller Foundation, offered a series of courses known as an Intensive Study of Contemporary Russian Civilization. This program was a unique educational approach to a planned and integrated study of the total civilization of a historical, geographical, and economic area."

Later, the contributors to this study of contemporary Russian civilization were "invited to write the whole section on Russia and the U.S.S.R. for the *Encyclopedia Britannica*, and when they had done that it occurred to them that their articles might be brought together in a book that was much needed as "an introduction to the study of the civilization of Russia and the Soviet Union." In a preface of fewer than 300 words *Russian Civilization* is used four times.

So they made a book. The article on Government and Politics is by Professor Frederick L. Schuman who writes:

"In the USSR the forms of democracy are thrown over the persisting and unmistakable substance of dictatorship. Yet the forms represent a living ideal, and the substance may be regarded not unreasonably as a prelude to government by consent of the governed rather than its negation.

*

". . . nowhere in the world is there a closer approach to the ideal of equality and brotherhood among peoples of all colors, languages, and nationalities than in the USSR. . . .

*

"A unique feature of the Soviet state is the realization of the social rights enumerated in Articles 118-121 of the constitution; full employment and payment for work by quality and quantity; rest and leisure through the seven-hour day, annual vacations with pay, sanatoria, rest-homes, and clubs; maintenance in old age, sickness and disability through social insurance, and free medical service to all; and free public education. The economic and social organization of the USSR is such that these rights, some of which are merely ideals elsewhere, are concrete realities for all Soviet Union citizens, at least in peacetime. They represent the great human gains of the revolution. Whether they have been worth the cost in initial suffering, and in the relative absence of political and intellectual freedom, outsiders

* "USSR: A Concise Handbook," Cornell University Press, Ithaca, New York.

may debate. The Soviet people have shown in mortal combat with merciless foes that they deem no sacrifice too great to preserve what they have won and to carry socialism forward to a fuller and richer life. . . .

*

"The Soviet state has built a new society which is classless in the sense that private ownership of productive property and the exploitation of man by man for private gain are abolished. It has likewise found the means of achieving economic freedom from fear and want and of providing employment in a constantly expanding economy for all able to work. The old freedoms of private enterprise and competitive political action have been sacrificed in the process. New opportunities in public enterprise and new satisfactions in community integration have offered compensations. In any event, a new civilization has come into being, based upon the conscious and rational direction of human destinies by intelligence and will. Whether its leaders and people can finally synthesize the best in the new and in the old remains to be seen in the years to come."

Professor Schuman, for all his intellectual detachment, sometimes appears in the news. Last April, along with Senator Glen Taylor, he signed a telegram to the President denouncing the American Government for advising the Italians to vote against the Communists.

The article on education is by Professor John Somerville, who says:

"The ideals which dominate the educational process in the Soviet Union, taken in terms of their content as standards of individual behavior and character, are essentially the generally accepted standards of the ethical traditions of Western civilization. . . .

*

"Like many other naturalistic ethical philosophies, socialist humanism, while advocating these ethical standards, regards them as man-made, and as mandatory by virtue of their demonstrable value in the light of human reason rather than as divinely ordained. Thus, the concept of a future life with rewards and punishments is rejected. The Soviet viewpoint is that people generally can be educated to see the necessity of conforming to such moral standards on the basis of their human values in this world, without invoking the hope of reward or the threat of punishment in a life after death.

*

"Socialist humanism manifests an immense confidence in human nature, an unbounded faith in the possibilities of development of human beings, if given proper educational environment. . . .

*

"One of the basic ideals involved in the social development from socialism (the initial or lower phase of communism, now regarded as attained) to communism proper (not yet fully attained) is expressed as 'the eradication of antagonisms between mental and physical labor.' This ideal envisages a more satisfactory fusion of bodily and mental elements in the life activity

of the individual. Instead of manual workers who lack cultural development, and intellectual workers who lack physical development, each group feeling alien to the other and suffering from the lack of what the other possesses, the aim is to build richer personalities, more balanced individuals who will be more versatile, more productive, and healthier in every sense."

Under the head of freedom he says:

"In the Soviet system there is no freedom for organized antisocialist teaching. The viewpoint taken is that the ideals of socialism, such as economic security, full health service, complete education, and freedom from race or sex discrimination are of maximum democratic significance, and that they cannot be attained in practice except by large-scale government measures and long-time planning. Soviet writers maintain that freedom to teach against these objectives would jeopardize the freedom of the majority to attain a fuller material and cultural life, which in their interpretation is the most basic of democratic freedoms."

Why the word *organized* in the first sentence? Is it implied that there is freedom in Russia for unorganized antisocialist teaching?

The same writer, John Somerville, does the article on Soviet Philosophical Thought. That develops the thesis that dictatorships are not all alike, and that the Soviet dictatorship may be regarded as democratic in contrast with Nazism or Fascism; and he explains at the same time why it was necessary to impose the Soviet dictatorship to begin with:

"Soviet social thinkers felt that they had to choose between freedom for antisocialist parties on the one hand, and freedom of their people from economic insecurity, race and sex discrimination, disease, and ignorance, on the other hand. In choosing the latter kind of freedom, they felt they were making a far greater contribution to democracy under the historical conditions with which they were faced than they could have made by choosing the former. . . .

*

"The system of social life operating in the USSR is called socialism, as distinguished from communism proper. Sometimes socialism is referred to as the first or lower phase of communism. In order to understand the basic features and over-all structure of Soviet socialist society, as well as the further stage toward which its plans are being laid, close attention must be given, not only to the economic but to the general social implications of the term socialism as distinguished from communism. Socialism in the economic sense relies upon collective ownership of the means of production, in a completely planned and controlled economy, for the abolition of class antagonism, the elimination of the business cycle, and the end of mass involuntary unemployment. Culturally, socialism seeks the progressive elimination of artificial barriers to education and health care (implemented in the Soviet Union by full-scale national health insurance, and, before the Second

World War, by free education, with stipends to students beyond the secondary level). Socially, it makes race or sex discrimination illegal by constitutional provision and legal enforcement. These material guarantees of an economic, educational, cultural, and racial nature are basic in what Soviet thinkers call socialistic as opposed to formalistic democracy.

*

"They have not developed the doctrine of a personal dictator, like the Nazi *fuhrerprinzip*, which justifies the arbitrary rule of a single individual on the ground of his superior strength of will, scorning majority decisions and contemptuous of mass opinion. Soviet thinkers hold that every state is a dictatorship to the extent that it possesses or uses the apparatus of physical dictation. As they see it, the vital question is: In the interests of what group, primarily, is the apparatus of state force used? In terming their own state a dictatorship of the proletariat or of the working class, the meaning they wish to convey is that it is a government using its power in the interests of the working class, which they conceive of as a majority group, to construct a type of society, socialism, in which classes and class antagonisms no longer exist. In Nazi and Fascist social philosophy, the term dictatorship is used as the opposite of democracy, which is sharply condemned in principle.

*

"Communism proper, or the higher phase of communism, which is conceived of as a qualitative development beyond socialism, is defined, economically, as a system of unrestricted abundance in which it will be possible to apply the slogan formulated by Marx (Gotha Program): 'From each according to ability, to each according to need.' Socialism is marked by the economic formula: 'From each according to his ability, to each according to his work' (constitution of the USSR, Chapter 1, Article 12). That is, under socialism there is a guarantee of continuity of employment at the level of qualifications, but it is still a money and wage economy in which consumption possibilities are largely determined by wages and market prices.

*

"However, it is considered that when scientific and technical possibilities are fully utilized, the resulting potential of productivity will be so great that, if it is not artificially restricted by a competitive market subject to waves of depressed purchasing power, or diverted into destructive war channels, there will be sufficient abundance for anyone to have what he can really use. It is anticipated that improved machinery can eliminate labor that is mere drudgery, and that socially useful activity, motivated by interest, training, and prestige, as well as by human necessity, will be generally regarded as one of the normal satisfactions of life. A money economy would no longer be needed, and possession of sufficient quantities of economic goods would no longer be either a problem or a source of social power."

What to do with mass murder and the bloody Soviet institution euphemistically named *the purge*

is an awkward problem. Undocumented horrors, like the slave labor camps, may be disregarded; but since there is a public record of the purges they must somehow be disposed of. Professor Schuman, in his article on Government and Politics, comes to the famous purge of 1937, which was said by Trotsky to be a liquidation of the old Bolsheviks by Stalin in order to consolidate his personal power, and performs the feat of arriving at the conclusion that by this act Stalin saved the world from Hitlerism and that the United Nations owe him an unlimited debt of gratitude. He writes:

"An oppositionist plot undoubtedly existed within the Communist Party and the Soviet military and civil bureaucracy. It was encouraged from Berlin and Tokyo in the hope of weakening the USSR and rendering it ripe for conquest. When it failed and was exposed, the chief conspirators, already demoralized by the successful building of socialism under Joseph Stalin's leadership, made abject confessions in a last effort to save their consciences and to serve the cause to which they had devoted their lives. In destroying the future enemy's fifth column, the Soviet authorities purged or otherwise punished many whose guilt was questionable. But the measures taken helped to thwart Hitler's designs against the Soviet Union and thus saved the United Nations from a common defeat."

If you were dependent upon that one book for your knowledge of Soviet Russia you would have no idea of what is going on in the world of political reality nor could you understand why Western civilization is arming itself against this new civilization.

ANOTHER example of this kind of marbled writing may be found in a document entitled "Communism in Action," bearing the imprint: "United States Government Printing Office, Washington, D. C." This document has a certain history. Representative Everett M. Dirksen of Illinois had been making speeches against communism and it happened again and again that people from the audience asked him where they could get a short, simple and impartial statement of what it was and how it worked. So it occurred to him that "there was at hand an agency of government service which was well equipped," to prepare such a statement, and that was the Legislative Reference Service of the Library of Congress. He asked it to do the job. What he wanted was "an unbiased account of communism in action"; he wanted the "facts, good and bad." The result was this title, "Communism in Action," by the Legislative Reference Service of the

* "Communism in Action." Superintendent of Documents, Washington, D. C.

Library of Congress, now published as a public document.

This work, like the Cornell Handbook, is the sum of several articles written by different persons. The preface is written by Ernest S. Griffith, Director of the Legislative Reference Service of the Library of Congress, who says this curious thing:

"In order to help the reader to visualize the institutions, practices, and policies described, comparisons and analogies are frequently made with the United States. These comparisons and analogies are not to be taken as measures of the success or failure of communism, or as an indication of the precise form which communism would take if it were ever put into effect in the United States."

Which is to say that communism in the United States might not work as it works in Soviet Russia, but better or worse. Who knows?

The writer of the chapter entitled "From the Revolution to the 5-Year Plan" comes as they all do to the problem of political purge by murder, and says:

"Between 1924 and 1928 the international revolutionary intellectuals who had sponsored militant communism gave way to the Communist Party bureaucracy and the military and civilian technicians whose ideology and planned construction dominates Soviet Russia today. Many dissidents still had to be liquidated in the purges of the 1930's."

So the dissidents *had* to be liquidated, that is to say, murdered. And it is said as easily as if the writer were talking about an election.

Chapter 2 is entitled "The Operation of the Soviet Productive System" and the writer says:

"It certainly has not been proved to the satisfaction of dispassionate economic analysts that the faults of a completely planned economy, which must effectively eliminate competition and socialize all productive assets—probably also completely control the movement of workers and their compensation—are less serious than the faults and instabilities of a free competitive society, whose excesses may be controlled in the public interest."

A beautifully moulded statement, that. It bears rereading. It is not proved that the faults of communism are less serious than the faults of a free economy. Since both have faults and those of one have not been proved worse than those of the other, which system will you choose? And lest you decide too quickly, read this:

"To the opponents of the regime—émigrés, those who were made to suffer, those who 'escaped' and those who could not take it, and to hosts of foreign correspondents and visitors—the USSR became a vast prison. To others inside and outside the country it is reported as a land in which thought is taken, as in no

other land, of the welfare of the common man. The regime planned far ahead and, beginning with so little, belts had to be tightened. But goals were set for the calculable future, and all energies were focused on them. The goals were met in general, modified only as sound experience dictated."

And you must be greatly impressed by such an achievement as this:

"The pre-Soviet railroads were described as 'ribbons of rust.' The cars were 'splintered matchboxes' and the locomotives 'battered Samovars.' Now, however, it is quite different and new powerful locomotives draw heavy loads over 'nonrusty' rails carrying perhaps the greatest traffic density of any large railway system in the world—three times greater than in the United States in 1939."

Does that mean the railroads of Soviet Russia are three times as efficient as the railroads of the United States were ten years ago? Where would the Legislative Reference Service of the Library of Congress get that idea? Certainly from no data to which ordinary people have access.

And here again the familiar intellectual distinction between dictatorships of the worse kind and the Soviet dictatorship:

"The Soviet Government which manages all industry is not, of course, a democracy in the American sense; but neither is it simply a personal dictatorship. It has developed many new forms in structure and organization in its three decades of history. It is operated in consultation and with the cooperation of numerous representative bodies in their society."

A chapter entitled "Political and Social" begins:

"The structure of Soviet Government since the 1936 Constitution has much in common with Western democratic systems. There is a federation of Republics. There is a Supreme Soviet consisting of two houses, one representing the Republics and the other representing the whole population of the Union, elected by secret ballot on a geographical basis. There is universal suffrage. The usual rights of freedom of the press, freedom of assembly, immunity from arbitrary arrest, and in addition wide economic rights are guaranteed. The Constitution was hailed as representing the highest form of democracy."

This is qualified in another paragraph:

"The real nature of government behind the façade is quite alien to Western tradition, and is based on the philosophy and power of the numerically small Communist Party, which began as an illegal revolutionary group at the end of the last century and which seized power in 1917 in the tottering, overcentralized, and economically backward empire of the Czars. The goal of communism seen by Marx and adopted and adapted by Lenin as the basis of his party is still the professed

goal of the Communist Party. The revolutionary technique of the dictatorship of the proletariat devised by Lenin as the only way of moving the inert mass of unawakened Russia is still the basis of Soviet philosophy."

This qualification does a very large job. Besides introducing the apology that the use of revolutionary technique was to awaken the inert mass of Russians, probably for their own good, it falsifies history. The Bolsheviks did not overthrow the tottering empire of the Czars. That empire had already been overthrown. What the Bolsheviks overthrew was the Kerensky regime and the beginning of popular government in Russia. The writer of this chapter tells you that in order to understand how Soviet leaders can call their system the highest form of democracy you need perspective and he supplies it as follows:

"How is it possible for the Soviet leaders to maintain that this system represents the highest form of democracy?"

"In the first place great emphasis is put on economic democracy which the Russians maintain is ignored in 'bourgeois' democracy. The Constitution guarantees the right of rest and leisure, the right to maintenance in old age, sickness or loss of capacity to work, the right to education, the right to work, and the equality of rights of citizens irrespective of their nationality, sex, or race. These rights it is argued are possible only because the State belongs to the working class and any shortcomings result from the fact that the Communist society is not yet fully attained. The citizen is also encouraged to take an active part in criticizing and making constructive suggestions about the daily life in factories, farms, mines, and offices, and this is held to be a more real democracy than the formal rights of Western democracies.

"According to Communist philosophy the dictatorship of the proletariat is the highest form of democracy. In the working class democracy the State belongs to the working class. As there is only one class there is only one party, representing the most alert members of the class, whose duty it is to direct and train the masses. Especially in the transition period before the complete Communist society is reached and when society is going through a period of hardship and shortages and surrounded by class enemies, the state has to exercise the strictest control, where necessary by force.

"Given these basic assumptions, the social, economic, and political rights guaranteed in the Constitution fall into perspective."

The last chapter is entitled, "How Much Freedom?" It is a discussion of how ideas of freedom in Soviet Russia differ from American ideas and of how practice in certain political cases falls below the precepts and guarantees of the Soviet Constitution of 1936—the Stalin Constitution.

In a work of 139 pages, terror as an instrument of policy deserves less than two. It is dealt with under the subheading, "Freedom From Arbitrary Pro-

cedures." This freedom from arbitrary procedures has been increasing.

"In the early days of the Revolution law was administered by workers' tribunals, whose members were instructed to use their revolutionary conscience as a guide. Counterrevolution, sabotage, and speculation were dealt with by the famous Cheka, an extraordinary agency, subordinate only to the highest political authorities. This agency, some of whose functions were taken over by the G.P.U. (later O.G.P.U.) in 1921, had power to carry out searches, arrests, and executions independently of the judicial system. . . .

"Since this early period, laws have been codified, a hierarchy of courts has been established, and comprehensive procedural measures have been devised. There has been a tendency to afford greater protection to the individual accused of crime, and to take more pains to prevent punishment of the innocent. The evidence is clear, however, that Lenin's view still prevails, and that, as one writer says, 'the protection of the State against treason and crime is deemed more important than the protection of the individual against abuse of authority.'"

If in Soviet Russia you are a counterrevolutionary or if you are deemed guilty of acting against the Soviet Order, anything may happen to you, the Stalin Constitution notwithstanding. But that is because "the preservation of the social system is placed ahead of individual rights, since that system is considered to be the foundation of all true individual freedom."

"The purpose of this study," says this public document of itself, "is to explain to the lay reader briefly and in simple terms how communism operates in the Soviet Union. It does not pretend to be an analysis of the theory of communism, nor is it an appraisal of communism." But it does appraise communism and does so eulogistically with such words as these:

"In the process a new and virile people were created who felt they were on their way to being masters of their own destiny."

And again:

"Twenty-five years ago communism as an operating system was in its infancy. It has now grown up. The Union of Soviet Socialist Republics, a Communist State, emerged from World War II in position to play a leading role in world affairs and to exert a powerful influence on the political, economic, and social institutions of many nations."

Communism, that is. Communism made Soviet Russia great. Communism brought it to this place of eminence in the world. Communism has created a new and virile people, on the way to be masters of their own destiny. In brief, communism has worked magnificently; and it is a public document of the United States Government that says so.

Infection of the Seed

I.

A Letter

The following letter is from a young member of the faculty of a southeastern university. He wrote it to a sympathetic friend in a familiar way, and then sent a copy of it to the vice president of a large corporation whose employee magazine he edited before turning to an academic career. He notes the fact that the administration of the university is anti-red. What he is talking about is the aggressive infiltration of Communist thought.—Editor.

Dear Colonel X:

SINCE I began teaching here a year ago, I have been concerned with two observations which should interest you as a businessman and as a loyal American. They are: business does a very poor job of telling its story, and the roots of communism are much deeper than is reflected in the daily press.

Apparently business has made no effort to reach the minds of college professors with its story. Here are a few of the asinine remarks which have been addressed to me by colleagues in the last year:

1. "The American Manufacturers Association is responsible for the high cost of living."
2. "Published statements of corporate profits are falsifications. They're making so much money that they're ashamed to publish the truth."
3. "Big business concerns are inspiring false reports about the foreign situation to defraud the public in learning the truth about their own dirty work."
4. "All big corporations get together and form trusts to keep prices up."
5. "State control is the only answer to the big business evil."
6. "Only 1,000 rich ———s control the destiny of 140,000,000 in this country. George Seldes proved it in his book."
7. "The oil trust is responsible for the trouble in Palestine."
8. "The American press is unreliable. The labor press is more truthful."
9. "Big corporations made 25-30% profits during the war. They had no patriotism. They'll provoke another war to stimulate high profits again."
10. "The Taft-Hartley bill was designed to enslave labor."
11. "Big business wants to keep prices high so it can bleed the public white and precipitate another depression. Then it can break labor's back and twist the public to its knees."

These remarks are typical of statements made both inside and outside the classroom. Who's to

blame? I think business itself to some extent. The men with these beliefs are "educating" our youth. These men are thought-leaders. They mold opinion, shape thoughts. Many of them receive the *Daily Worker* and *In Fact*. Some are dark pink if not outright red. Some are pseudo-liberals who think they are championing the underdog. None of them receives information from any group espousing the cause of business. They should be on the mailing lists for special releases of factual information on true conditions.

Typical attitude may be seen in the remark of a colleague of mine recently. He was castigating business with a salty lash for being heartless. I tried to explain the different treatment I had observed employees receiving from large and small employers by citing this example: One company I worked for installed teletype communications to replace Morse telegraphy—and a telegrapher with less than a year's service less than that required for pension eligibility was retained to do practically nothing until he qualified for a pension. My colleague's answer was: "How many poor devils did the outfit fire during their last year to save paying pensions?" And so it goes. No one seems to think business has a conscience or sense of fair play.

What can we do about it? You and I alone, nothing. But we can keep passing the idea along to others. Business organizations can add some college professors to their mailing lists. They may have to cut off a few bank presidents, but the bankers don't need to be sold anyway. I sincerely believe that the men who have seen the American system of free enterprise work to the advantage of us all had better join hands to keep it working.

Anent this other thing—communism—I am very apprehensive. I am not an alarmist, but I have seen so much of it here that I am quite concerned. We have plenty of people in this country who would like to be Gottwalds and Quislings. I know of a few on our faculty.

I'm no red-baiter stirred by unfounded anxiety. Here are some remarks which have been addressed to me lately:

"What right have you to hand us students that stuff about democracy being a good thing. Professor So-and-so was fired for advocating communism at Cornell. Yet you manage to hold your job while propagandizing for democracy. How come?"

"Even if Russia uses the A-bomb on us first and destroys this country over night, the world will be

better off than it would be if both countries used it. If Russia strikes first, at least *half* the world will be saved."

"The State Department's White Paper accusing Hitler and Stalin of dividing up Europe is obviously another of George Marshall's war-mongering lies." (This from a professor here of political science.)

"America bullies Russia. If we get it in the neck, it will serve us right for banging peace-loving people over the head with our A-bomb threats. . . . Wallace is the only salvation for this country: the democrats will get us in another war; the Republicans will get us into another depression." (This from another professor of political science.)

"At least there is some hope in the Russian system. We Americans can only look forward to exploitation by slimy Wall Street fascists."

"How do you know the Czechs don't want Gottwald and communism. You must be getting your information from the lying capitalistic newspapers."

"In Russia there is at least true patriotism. In the last war the government here had to call off its anti-trust suit against the oil companies before they would put up the money for Big Inch." (This from one of the previously quoted professors who was hard put to explain why the oil companies supplied money for a government-owned project. He teaches the same sort of thing in class, his students say.)

And so it goes. Every day I encounter such thinking. They all deny being Communists. They criticize hell out of America. and they extol the virtues of Russia. And you're a slimy fascist if you suggest they are disloyal. Or a red-baiter trying to smear liberal-minded idealists.

Another instructor and I formed a club to get speakers on the campus to say a good word for the free enterprise system, but it has done little good so far. We dubbed it the Liberty Club and scheduled men from all walks of life—bankers, lawyers, labor union leaders, newspapermen, and both big and small businessmen—to come out and talk on how well they fare under the American system. However, we can get only small audiences out, and they are largely the left-wing Wallace-for-President Club boys who come out to heckle.

(Signed) X

II.

A Communication from Prague to Harvard

FREEDOM of the mind at Prague was one of the grand traditions of Europe. It happened that just when the Communists were taking over Czechoslovakia for Russia, Karlova University was preparing to celebrate its six hundredth anni-

versary. Invitations to all the principal universities of the world were already out. But in view of what was taking place—the purge that began at once—many invitations were declined. In this sad gesture British universities were unanimous. Speaking for Canada, Mackenzie King said: "Freedom is threatened not only by military force but by an organized conspiracy to establish a tyranny over the human mind." In a letter to *The Times*, London, Wickham Steed wrote:

"The whole tradition of the Caroline [Karlova] University has been to foster freedom of the human mind, from its earliest days at the beginning of the fifteenth century (when it welcomed the teachings of Wyclif and upheld freedom of conscience) down to the years in the late nineteenth and early twentieth centuries when Professor T. G. Masaryk was one of its guiding spirits. Now, under the retrograde Communist dispensation, its Rector, Dr. Englis—whose very name is reminiscent of the Wycliffian era—has been dismissed and (according to an unconfirmed report) sent to work in the mines. Many others of its professors have been "purged." Communism has thus beaten the Nazi record. After the German occupation of Prague, Hitler's *Gestapo* did, indeed, seek to exterminate the Czech "intellectuals." Yet the Nazis prudently refrained from removing at one stroke any large number of the university professors. They preferred, after their massacre of students on November 17, 1941, to close the Caroline University altogether. The Communists hope to use it for their conspiracy against the freedom of the mind."

But the case for the defense may be encountered on the campus of Harvard University. The following communication and letter appeared April 13, on the editorial page of *The Harvard Crimson*, the official student paper:

To the Editors of THE CRIMSON:

The following letter was written on March 14, 1948, by a student at Charles [Karlova] University, a man in his mid-twenties, who is doing advanced work in both English and Russian. He is a Social Democrat. His father, who is a carpenter in a village twenty-five miles from Prague, is a National Socialist. I pass this letter on, not as the whole story in Czechoslovakia, but as a characteristic student opinion.

F. O. Matthiessen.

"I think you might find it interesting to hear some news from the 'new' Czechoslovakia. . . . I will be perfectly frank: we have gone through a new social revolution; we have given up a good deal of democracy and individual freedom. But we have retained enough freedom for everybody to live and work either happily or contentedly, according to one's political views. And we have retained enough democracy for our state to leave it a possibility of developing into a new, more righteous and more moral democracy. We have learned in these days to look at things with harshly realistic eyes. By an uncontrolled terrible strength ensuing from the contrast of two opposite world ideologies, we were faced with facts which we had either to accept totally

or reject totally. Every one of us had to do so. There was no other way.

"For many the decision was quite simple. I spoke in those days to some workers and learned, to my great surprise, that they didn't know anything about the *freedom of mind*. Years of struggle for more bread have taught them to know only one freedom: *the economic freedom*. These people did not hesitate in the least how to decide. And they were very numerous and very resolute.

"For many the decision was painfully difficult. This was also the case of the intellectuals and of us students. Every student was shaken by the events to his roots. This is true also for the Communist students. I have discussed with them and they were as unhappy and as distressed as I was. But also for us there were only two ways to deny a part of ourselves and go with the working class or to go against it. And so, in the cruel days of the end of February, we progressive students, painfully aware of the fact that we were losing a part of our individual freedom, could not go with the right party students and call 'Long live freedom' and, with the same breath, 'Long live Petr Zenkl.' We preferred to give up a part of our individual freedom to save the economic freedom for the whole nation. President Benes, with his utmost self-denial, showed us the way. We realized very well that every opponent of communism had to enlist, willy nilly, into the mercenary ranks of capitalism.

"By the way, those protesting students were not so many as you have probably been informed by your newspapers. They were about a thousand and a half, not twelve thousand! And they were not shot at by the police. One single student was hurt in his ankle by a rebounded bullet, not on purpose, as it seems.

"Also the Action Committees are certainly not so gruesome as they are described by the Western press. In the Central Action Committee sits also the Dean of our Faculty, Dr. Jan Kozak, Dr. Hromadka, the head of the Czech Brethren Church, and many other non-Communists. In our faculty three professors and five docents were put on the retired list. None of really high standard or known to you. Also some few students—seven—were expelled. The English department is untouched. All the decisions of the Action Committee will be verified once more . . . I think even in this respect we did not betray President Masaryk's humanistic ideals.

"I ought to say still a few words about Jan Masaryk's death. Nobody can know his state of mind in the minute of suicide and it is improper to give one's own explanation for absolutely certain. It is also improper

to try to win some political capital out of this tragic event. It would be far better to be silent and pitiful. But when I hear the Western radio giving its various explanations, I must tell you what is the opinion of many Czechs.

"Jan Masaryk, unlike his father, was more sensitive than rational. He liked very much our people, not as an abstract idea but as millions of individuals. He liked our working class and in the first days of our February revolution spontaneously went with them. His speeches from those days were very clear and very radical and, I must say, surprised many of us. His 'I go with the people' and 'With this new government I am going to govern with gusto' leave no doubt about their meaning. Then the crisis came. His reason told him that he went perhaps too far according to his previous political views. The revolution necessarily was accompanied by much profiteering and injustice which Masaryk loathed so much. Then came the anniversary of his father's birth and Masaryk had to read many letters of reproach and condemnation. Many of his friends, especially those from the West, did not try to understand him. They simply rejected him. And so, in a minute of great mental contradictions, he took to the fatal decision.

"This is how many Czechs explain Jan Masaryk's death. Maybe we are not right. Nobody can assert it. We would prefer to mourn for him without speaking about his motives. But we cannot help feeling offended by those who comment upon his death by the words, 'Too late, but still.'

"I was told by Jarka that you are writing a book about your experiences in our country. I am eagerly looking forward to it. Nevertheless, I think that you ought to come to us very soon again and to write one more book about Czechoslovakia. About Czechoslovakia suffering and yet not despairing, afflicted by evil and believing in good, limiting freedom and democracy for some only to give it back, revived and strengthened, to all. I think you would understand.

"Zdenek."

Professor F. O. Matthiessen, who sent this letter to *The Harvard Crimson*, is a member of the faculty of Harvard University, teaching history and literature. He has also many political activities on the Communist Party line. His name has been associated with the Citizens Committee To Free Earl Browder, the Citizens Committee for Harry Bridges, and the American-Russian Institute, and now with the National Wallace-for-President Committee.

NOTHING is more necessary for the stability of the world, if it is not to perish completely, than some rededication of minds. Universal harmony and peace must be obtained for the whole human race.

—John Amos Comenius, a Moravian bishop, circa 1650.

Other News of China

**By Roscoe Pound*

Formerly Dean of Harvard Law School

Adviser to the Ministry of Justice of the Republic of China since 1946

I DOUBT whether people in the United States realize the difficulties under which China labored for 100 years before the Second World War, and the consequent inherited difficulties which hamper the national government in its endeavors at reconstruction after eight years of Japanese occupation of the greater and richer part of the country and eighteen years of a Japanese regime in Manchuria. From 1838 when British insistence on the opium trade with India brought on the Opium War of 1840, the history of China is one of continuous aggressive pressure from European powers and Japan, with constant loss of territory, exaction of heavy indemnities, cessions of ports, and unequal treaties. Constant rebellions were a natural consequence.

From 1895 to 1911 there was a chronic state of local rebellion culminating in the revolution as a result of which the republic was set up in 1912. The central government, after fifteen years of struggle finally became strongly established in 1927. But the Japanese set up a puppet regime in 1932 in Manchuria, brought on a war with the republic in 1937, and were not dislodged from the occupied areas till August of 1945. The excellent work of the decade 1927-37 was largely undone by the Japanese, and the Communists keep up the condition of rebellion and civil war which had obtained for a century.

Not the China of the Newspapers

It is no wonder that conditions in China today are not ideal. They are far from ideal in any country. But there is by no means the general condition of demoralization, corruption, and inefficiency which is portrayed in American newspapers. The gravity of news from abroad increases with the square of the distance.

In the clippings from the American press which my friends send me from time to time I can't recognize the land in which I am living. There is no censorship of the press. The English and American papers in Shanghai and the Chinese papers in Nanking, which I see every day, are as critical of the government as they like and are allowed a liberty in time of civil war which I do not think for a

moment we in America would tolerate under like circumstances. The strikes here are no more than seems to be normal all over the world except that student strikes are conducted by university students, not confined to high schools and grade schools as with us. The authorities are very patient with them even when the pretexts are trivial.

Anything that calls itself liberal is supposed to be privileged. I read in the American papers of a prevailing and intense hatred of America here. Nothing could be more false. The Chinese do not forget the time when Russia, France, and Germany claimed lease or cession of ports and territory and mining and railway rights, when Port Arthur was seized by Russia, Kiaochow by Germany, and Kwangchowwan by France, when British troops landed on Wei-hai-wei and enlarged the concession of Kiu-lung. All except America claimed their spheres of influence. They remember how China was saved from partition by John Hay, Secretary of State, in 1899, initiating the open door policy in order to maintain the integrity of China. All the Chinese (Communists excepted) recognize Americans as the one people who have never had aggressive designs against them; as the one people in whom experience has taught them to have confidence.

China, Too, Has Her Wallaces

Much is said in American newspapers about exclusion of liberal parties from the government, the necessity of admitting minority parties to a share in the government, and the imperative need of a coalition government. When one sees the actual political situation here, such things sound more like a Gilbert and Sullivan opera than like the practical conduct of government in a democratic republic. No one complained that Republicans were excluded from a share in the government during the long administration of President Roosevelt. I do not suppose even Harry Bridges would say that Mr. Wallace ought at once to be given a place in President Truman's Cabinet. I note that the Prohibition Party has been resuscitated. But it won't claim that a certain number of seats in Congress should be allowed to it as a minority party.

The truth is that the minority parties (of which there are many) are made up of leaders with no substantial following. This was brought out strik-

* This illuminating paper is reprinted from the *Congressional Record*. It first appeared in the *Harvard Law School Record*, as a report by request.

ingly in the late elections. The majority party withdrew its candidates in a number of districts in order to give the minority parties a free hand. But the voters did not want the minority leader candidates. Others were nominated by petition and were elected instead. Now the minority parties claim that those who were elected in the constitutional manner should be required to resign and the minority party candidates seated in their places. And yet those who are not willing to abide by the results of the election claim to be the arch promoters of democracy.

In truth, there is no Communist Party in China generally as a political party in the American sense. There are scattered Communist agitators and conspirators here and there, and in the north there are Communist armies led by generals who recall the old war-lord government which the National Government, after fifteen years of struggle, finally overthrew.

There is much abuse of the Kuomintang (National People's Party) in America, ignoring the task it has had before it and the difficulties of a democratic policy in China today. Despite all difficulties it has built up a strong progressive government.

Democracy here has to operate under profound political indifference of a large mass of the population, brought up for generations to believe in revolt rather than ballot as the remedy for grievances. This indifference is not easy to overcome. Indeed, indifference to elections on the part of a considerable proportion of the population is not unknown in America. But of those who understand and are zealous for a modern democratic republic the overwhelming majority are supporters of the National Government.

Character in the Government

Moreover, from personal observation I can testify to the high character of the Chinese officials as a class. I have met personally a great many and have had immediate contacts with not a few. I have found them well trained, cultivated, hard-working, and conscientious. Very many have been educated in Europe or America or both. They have high ideals and are zealous for effectively realizing them. They have done great things for general popular education.

At this point I must speak especially of Dr. Chen Li-fu, Minister of Organization and head of the Kuomintang. He is well known for deep love of the country and its people, thoroughly acquainted with its problems, zealous in search of satisfactory solutions, and possessed of the ability and determination to do what is needful toward improving conditions disarranged by war and long hostile occupation, and

to build for the future. Withal, he is a thoughtful, conscientious, diligent scholar. His book, "Philosophy of Life," which is now being published in translation in New York, has had wide circulation and influence, over 250,000 copies of the Chinese version having been sold.

Especially he will long be known and honored for his work when Minister of Education. He took office in the trying time of war with Japan, and under every difficulty provided subsidies for refugee students and teachers, aid for the ill and indigent, and work for those in need of jobs. He organized removal of educational institutions from occupied regions to the interior. He introduced pensions for the workers in education. During his term he reduced illiteracy from 75 percent of the population to about 50 percent. He made the educational system more completely national and fixed reasonable standards for professorships and curricula in higher education.

Of those with whom I have been more immediately associated I might name Sun Fo, vice president of the republic, educated at Columbia, a true statesman of genuinely liberal outlook; Tai Chi-tao, president of the Examining Yuan, one of the disciples of Sun Yat-sen, well grounded on both western and Chinese learning; Gen. Pai Chung-hsi, Minister of National Defense; Dr. Chu Cheng, president of the Judicial Yuan, zealous to adapt the interpretation and application of the codes to the life and traditional culture of the Chinese people, whose brochure on the reconstruction of the Chinese system of law is in the Harvard Law School library; Dr. Hsieh Kwan-sheng, Minister of Justice, docteur en droit of the University of Paris, author of a history of Chinese law, a scholar, a wise administrator, with vision as to the future of Chinese law; Dr. Chu Chia-hua, Minister of Education, educated in Germany, an energetic administrator of comprehensive vision, thoroughly aware of the needs of legal education for which he is doing much; Dr. Wang Chung-hui, the well-known translator of the German civil code into English, a jurist of worldwide repute; Judge Yun-kuan Kuo, president of the high court at Shanghai, who, finding on his dockets 120 cases a year involving the conflicts of laws, studied Beale's cases on the conflict of laws along with the continental treatises.

All of these are well-trained men of experience and of marked general culture as well as proficiency in their immediate tasks. They would stand out among officials, law officers, and judges in any land. Such men are a standing refutation of what I read in American newspapers as to public men in China.

And here let me say a word about the President. As I have seen him, he is a man of tenacious purpose, firm, industrious, of good sense, talking little but asking questions straight to the mark and going

to the bottom of things, zealous to effect a reconstruction of the country after its many vicissitudes, and with genuine desire to establish a practical, not a mere paper, democratic national government along realistically conceived lines.

Rising from the Ruins

When I came to Nanking in June of 1946, the government was just getting back from eight years of temporary establishment at Chungking while all of eastern China was in hostile occupation. At that time the capital had been stripped bare. When I returned a year later the improvement was remarkable. Means of transportation which had been destroyed have been replaced, buildings have been rebuilt, houses left as empty shells have been refurbished, new houses and buildings are going up on every side. The Chinese are an exceptionally industrious people. On every hand they are at work busily restoring patiently and effectively although with grievously limited means and facilities.

Restoration of educational institutions has been a hard task. To speak only of the institutions of higher learning, when the war ended eighteen of nineteen national universities and nineteen private universities (almost all) were in temporary locations in the mountainous west, and gradually came back to find themselves stripped of libraries, laboratory equipment, and furniture, and with buildings at least in need of repair and usually of restoration. To keep these institutions going during the war was a notable feat and to restore them rapidly has been no less a feat.

Keeping the administration of justice going, making improvements in organization and procedure, and conducting an experimental court to try out the code of procedure were no less remarkable achievements. When the Ministry of Justice got back from Chungking, in less than a year from the Japanese surrender, it had the machinery of justice moving again except in Communist-held areas.

Doing all this and much more, it has been necessary to provide for the host of war orphans and for a host of refugees liberated by the Communists by driving them from their homes, destroying their crops and stripping them of everything they had. The Chinese people are responding nobly to these added burdens.

On the political side, a modern constitution, not a mere copy of any other, but with much in the way of original contribution and tied to Chinese conditions and traditional culture, was adopted in 1946 and took effect at the end of 1947. It is based on three principles laid down by Sun Yat-sen, the founder of the republic, namely, a unitary government, guaranteed individual rights, and a service

rather than a police state, which was well developed. There is provision for final judicial interpretation of the constitution and securing of the rights guaranteed by the bill of rights.

The first elections have been held under the constitution, and, at any rate, the machinery of constitutional government has been started. I hear complaints from America about the small proportion who voted. But voting was a new idea to the mass of the people. Banners across streets and trucks with streamers, as well as posters and loud-speakers could not bring out a large number who were perfectly satisfied with the government. An intelligent Chinese tells me that many with whom he talked seemed to feel that if they were satisfied there was no need to vote. Only if one were dissatisfied did he need go to that trouble.

The Ancient Land and the Law

But I read in American accounts of China that the government is doing nothing for the peasants. On the contrary, it is doing the most practical thing for them in furthering improved methods of agriculture with the help of American advisers. Here, too, remarkable progress has been made. It should be remembered that the percentage of farm tenancy is less in China than in the United States. Before any radical change in the system of ownership, there is need to set law and order, finance, industry, and transportation on a firm basis and undo the damage done in the eight years of Japanese occupation and subsequent Communist "liberation."

China has excellent codes, and many able and well-trained legal scholars able to interpret and apply them, but with legal education held up or hindered by eight years of war on Chinese soil, needs many more well-trained judges and lawyers than the schools have been able to turn out. Also there is a real problem of adapting modern codes on the continental European model to Chinese life, modes of thought and environment. The question of comparative law or history as a basis of Chinese law of today is discussed in a paper I have written for the *Harvard Law Review*.

Again there is need of making the judicial organization, which is excellent as a paper scheme, achieve its full possibilities in action. Accordingly, I have advised a program in five parts: surveys; conferences; the preparation by an organization, on the general model of the American Law Institute, of an exposition of Chinese law for use in law teaching, in interpretation and application of the codes, and as a guide for practitioners; a survey and appraisal of legal education and ascertainment of its needs; and study of the organization of the practicing profession and what may be needed in that connection.

If Gold Were Free

By Senator Pat McCarran

I HAVE been asked to comment on my bill S. 2583, which I introduced April 28, to permit the sale of gold within the United States, its Territories, and possessions, including Alaska, and for other purposes.

The bill would establish a free market for gold either (1) mined in the United States, its Territories, and possessions, including Alaska, or (2) imported into the United States, subsequent to enactment of the proposed legislation; and would permit free and unrestricted export of such gold.

My bill also implements the President's anti-inflation program.

The Federal Reserve Board has been complaining that authority is needed to increase bank reserves because of the large imports of gold which add to bank reserves and bank deposits and increase inflationary pressures on the money supply and goods. The Board points to the fact that during the fiscal year from July 1, 1947, to date, the Treasury has had a cash surplus of \$7 billion, most of which developed from December through March. Through December the surplus was an even billion dollars; in January, \$1.4 billions; February, \$1.9 billions, March, \$2.8 billions surplus; and for the first 26 days of April, a deficit of \$286 millions. When these surpluses are added up and after subtracting the deficit in April, they amount to approximately \$7 billions. This represents a total surplus for the year, as the other months just about balanced out. The Board points out that in order to buy \$2 billions of imported gold during the fiscal year they had to contract the money supply by reducing bank deposits.

The excess of Treasury receipts over expenditures was used to offset increased bank reserves and bank deposits influenced by the imported gold. There was a reduction of about \$.5 billion in currency which had to be offset. The Board contends that upon these reserves of currency or gold a six-to-one expansion of bank credits would take place.

What Happened to Gold

Imports of gold are estimated for the next twelve months at \$2 or \$3 billions and I am interested in avoiding the resultant inflationary pressures, which serve as a basis for a six-to-one expansion of bank credit and deposits.

Gold was sterilized in 1937 and 1938, meaning that contracts for the payment of gold were invalidated, possession of gold coin or gold certificates was outlawed, and the gold was buried at Fort Knox and was not allowed to get into the banking

system. In order to sterilize the gold at that time, the Treasury had to go into the money market and borrow an amount of money equal to the value of the sterilized gold and had to pay interest on the money; it was an expensive proposition. During 1937-38 when we did not want this gold to get into the monetary system we had a gold stock of only \$12 to \$13 billion. As a result, in 1937-38, when we had only half of our present monetary gold stock, it was deemed desirable to prevent more gold from going into the monetary system, thus preventing the creation of further inflationary pressures.

There is no need to borrow money, and we can accomplish the same results by not permitting additional gold to get into the monetary system at all.

I have commended the Treasury Savings Bond Campaign. These bonds will immobilize "hot" dollars, and are cashable on 60 days' notice. Newly mined and imported gold, if held by individuals, will serve the same purpose, and provides a reserve for a future rainy day, just as Savings Bonds do. In the case of gold no payment of interest is involved and, therefore, it is considerably cheaper for our government to immobilize inflationary dollars by permitting gold to be privately owned.

When money is tied up in gold it is not likely to be spent easily. In either case the gold is not spent, but a portion of the Savings Bonds will be turned in to the Treasury for dollars.

Gold Behavior

When free-market gold is brought into the picture, any individual or firm buying the metal would exchange his dollars for gold, but no new dollars would be created. It would just be an exchange of the existing supply of dollars between individuals. It would not reduce bank reserves or bank deposits; it would not contribute to the creation of any additional money, and consequently would be anti-inflationary.

This method of treating the problem of increasing the money supply and bank reserves would reduce substantially demands upon the Treasury under the law requiring the Treasury to buy all newly mined and imported gold at \$35 an ounce, and automatically makes unnecessary the imposition of any further government controls; and does this without changing our banking structure in any way. Thus the gold would not enter into the money supply and it would not be necessary to impose any elaborate control on the banking system.

No question would arise as to the confidence of the public in the currency of the United States since the dollar is the only currency that will buy things in any quantity anywhere without serious restrictions.

In every boom period in world history the gold miner has been pinched between rising costs for

labor and materials and a fixed price for his product. The Economic Cooperation Administration and the State Department have given a great deal of thought to stabilizing currencies in other countries, chiefly in Europe, and gold is essential to the establishment of public confidence in order that paper money is made acceptable.

The reestablishment of the stability of European currencies, which we must concede will be a matter of years rather than months, requires the largest possible supply of gold, and any incentive of a higher price for bullion will tend to stimulate the world's production. A large gold supply is particularly essential now in establishing confidence in paper currencies since we have such a huge supply of paper money, much of which has already lost a large proportion of its value.

A free gold market would not change the obligation of the Treasury to buy all gold offered at \$35 an ounce, nor would it require the United States to sell any gold at all, or to redeem any currency in gold. The Treasury could still retain \$23 billions in monetary gold without any obligation to sell any of it or to redeem any currency with it, and the Treasury would be freed of the necessity of buying any new gold at a price above \$35 an ounce.

A Freedom Forgotten

THE Foreign Assistance Act of 1948 (the Marshall Plan law) speaks of restoring or maintaining in Europe the principles of individual liberty and free institutions. One of the institutions that ought to be free is the institution of money. Certainly if individual liberty does not include freedom to do what one likes with one's own money it is an empty phrase. This freedom is one that has been very generally destroyed in the world by devices of arbitrary monetary control and now the Marshall Plan law does it further damage in a curious way. With the idea of enabling a Marshall Plan country to make the utmost use of its own resources, the law says that the American government will assist in "taking measures to locate and identify and put to appropriate use assets which belong to the citizens of such country and which are situated in the United States."

This means that the citizen of a foreign country who transferred his wealth to this country, even at a time when it was perfectly legal for him to do so, now will be tracked down by his government and obliged to take his wealth home—and the American Government will assist in this procedure.

The implications are not technical. A condition of individual liberty is involved. Why that is so was earnestly explained in a series of letters and articles

by Philip Cortney, who almost alone tried to do something about it. Although he made no impression on the law, two of his letters are of continuing interest and worth keeping for the record.

One was to Representative Howard Buffett, in part as follows:

Dear Congressman Buffett:

"Section 15(b)4 of Senate Bill S.2202 is a good illustration of the appalling confusion in the minds of the people on fundamental issues. You have asked me to expatiate on the relationship between the gold standard and human liberty. Section 15(b)4 might serve as a point of departure. The right to leave a country is the basis of all other human rights. This proposition seems to me evident. It is enough to think of the situation of a German during the Nazi regime, or the situation now of a Russian citizen. If he is ashamed to be part of the community in which he happens to be born, or if he simply chooses to go and live in a community more congenial to his sense of human dignity, he simply cannot do it. If the right to leave a country is denied to us, all other human rights become insecure.

"Now, if a country does not deny to an individual the legal right to leave, but only prevents him from taking with him whatever wealth he might have accumulated, the result is the same. Practically he cannot leave. This is in fact the effect of the inconvertibility of currencies and exchange controls. Therefore exchange controls are an instrument against human liberty. For a currency not to be an instrument against human liberty it must be convertible into other currencies. The only international currency so far known acceptable to all people all over the world is gold. That is why the gold standard, which implies free convertibility, is essential to human liberty.

"If we go one step further it can be proved that the gold coin standard is an essential condition of human liberty. Quite recently some European governments have requisitioned from their citizens any foreign currency or foreign deposits they may have held. An individual under such circumstances was helpless. If there had been gold coins in circulation a government might have tried to requisition his gold, but the individual could have buried it under earth until he could make sure that he is in a position to leave. In fact, this is what many peasants in France are doing, not because they want to leave the country, but simply to protect their little wealth against the squandering of money by weak or demagogic government.

"Finally, the gold standard is also a safeguard of human liberty for the simple reason that it limits the power of government to squander money."

Mr. Cortney's first letter to the Treasury Department, Office of International Finance, drew the reply that it was not understood to be the intent of Congress to "impose any unnecessary limitation on the movement of peoples," and although it was very regrettable that exchange controls did in fact interfere with the free movement of people, still many countries were doing it, and it was a problem that could not be solved by reference to international

law. He wrote then a second letter, in part as follows:

*Office of International Finance
Treasury Department:*

"I didn't raise my voice against what other countries were doing or felt compelled to do with regard to exchange controls. My protest was directed to our country. First we began to assume the role of a Gestapo by accepting to denounce to their countries the names of their citizens who had accounts in American banks. Then we had Section 15(b)4 of S.2202 wherein we asked the foreign countries to "locate and control" the assets of their citizens in the United States, which meant, of course, that we implicitly assumed the obligation to help the exercising of such control upon the assets of individuals. I have no hesitation to state that these actions are pure demagoguery, and will help to further deteriorate the confidence of people in paper money and bank deposits.

"I wonder whether anyone in the government realizes that what we did pursuant to the recommendation of the National Advisory Council regarding the blocked assets and Section 15(b)4 amounts to:

"(a) *A distinct discrimination against American banks.* Any citizen of the foreign countries involved does not have to worry about our new rules if he has deposited his money in South American banks, or even if his money is in the United States via South American banks.

"(b) *Discrimination in favor of hoarders, chiefly of gold and bank notes.* Any possessor of gold or bank notes is better off today than anyone who has put his money "for use" in American bank deposits or American shares.

"You state in your letter that 'it is not our understanding that it is the intent of Congress to see this section of the law used to impose any unnecessary limitation on the movement of peoples.' I feel likewise convinced that this was not the intention of Congress; neither is it the intention of Congress to destroy human liberty when it indulges in deficit spending and monetization of debt, or when it puts taxes unbearable for an individualistic economic system. The fact that Congress did not intend to deny to anyone the right to emigrate, or that it does not intend to destroy our liberty, does not change the fact that it might and will bring about these results by ill-considered legislation.

"If, for the sake of the hypothetical saving of a few hundred million dollars we are willing to forsake moral principles, then I am afraid that one day, in the not very distant future, we shall find ourselves also in chains."

By a recent decree of the exchange control authority of the British Government, a person who leaves England to settle in a *dollar country*, which means the United States, Canada or any country outside of the *sterling bloc*, may take with him only £1,000. That is \$4,000 at the official rate of exchange. The rest of his wealth must be left in England, subject to a capital levy, or anything else the Socialist government may see fit to do to it.

Our Economic Orphan

From *The Financial Post*, Toronto

UNLESS Canada can quickly and substantially increase her exports to the United States this country faces a most drastic and painful readjustment in the near future. That readjustment might easily involve a considerable drop in our present standard of living and a sharp increase in the exodus of our young people to the United States.

Our problem is as simple as that faced by the merchant whose customers have exhausted their credit but whose wholesaler insists on selling for cash. Up to the present Canada's chief customer has been Europe; our chief supplier the United States.

Since the war we have been lucky.

Through loans we have been able to keep Britain and some other European countries taking our surplus goods and, from a war accumulation of American dollars, we have been able to finance purchases from the United States. But in both respects we are now nearing the end of our tether.

Had it not been for Washington's European Recovery Program, a great deal of our export to Europe must have been halted this spring, because this trade is absolutely dependent on a proportionate import from the United States. To export grain, meat, lumber, fish, base metals and other things to Europe, we must have American coal, steel, equipment, and other key supplies.

What is the solution?

Morgan Reid, young Canadian economist, speaking before the Toronto Ticker Club, answered this way:

"Vigorous prosecution of a trade treaty with the United States incorporating realistic but selective tariff reductions and eliminations on both sides. Manufactured articles as well as agricultural produce should be included. Limitations would be established by the temporary degree of dislocation that can be absorbed—but import restrictions also would create difficulties.

"It means we are willing to accept the competition of American mass production in return for access to the American mass market. It is not customs union, but a gigantic stride in that direction. It is not political subservience to the United States but recognition of the consequences of being an economic orphan on the North American Continent. We cannot live alone and like it."

In principle at least there will be no disagreement with that solution. If we are to continue to buy American goods, to maintain an American standard of living, then the United States must buy far more from us. And while the world is still short of goods is the time to start.

How We Got Alaska

*By B. W. Gearhart

Member of Congress from California

In his message to Congress asking statehood for Alaska the President did not refer to the fact that the Russians have recently been trying to cast a cloud on the American title to that territory. Their interest in it is military and reminiscent. Long before the United States had established its Pacific coastline, Russian fur traders, descending from Alaska, had established posts as far south as San Francisco Bay. A reminder of their presence is Russian Hill in San Francisco to this day. In 1821 the Czar decreed that Alaska extended to the fifty-first degree of latitude and that all waters thence to the Bering Strait were a closed Russian sea. Three years later by treaty the boundary was fixed at 54° 40'. Then in 1867 the United States bought Alaska from the Czar for \$7,200,000 cash. The Russians now question the bona fides of that transaction, not officially perhaps, but in their propaganda. The Alaska mainland is only fifty-eight miles distant from Siberia, across Bering Strait. In the middle of Bering Strait are two islands, one American and one Russian, only two miles apart. The President's message on statehood was entirely devoted to the importance of getting Alaska developed and settled. Its only reference to the question of defense was to say: "During the recent war, when the strategic importance of Alaska became known, a number of military installations were built or started there."—Editor.

THE Russian Government, though requested on at least four occasions, has refused to render an account to us, as required under the terms of the lend-lease agreement between Russia and the United States. Rumors are that this reticence is inspired by far more than just a mere delay in replying might imply. Does it mean that Russia is preparing a counterclaim arising out of the old controversies of yesteryears?

Is she coming forward with the old claim for hundreds of millions of dollars arising out of our invasion of her territories following World War I?

Or is she planning to assert a claim for the return of Alaska, raising a question of the legality of the sale of Alaska to the United States? Or even, perhaps, demanding its return?

The Russians claim the Czar had no right to sell Alaska to the United States in 1867.

They claim also that the price we paid for it, \$7,200,000, was in reality but reimbursement of expenses incurred by the then Czar in sending his

fleets to New York and San Francisco in 1863, when the Union cause was hanging perilously in the balance.

They claim that this Russian naval demonstration overawed France and England, both of whom were at that time trying to force Lincoln to agree to an armistice, as they planned the recognition of the Confederate States as a free and independent nation. They insist that this Russian action averted what might have become a fatal blow to the Union cause.

Back in 1939, *The New York Times* carried a statement that:

"Pravda stated Alaska was sold to the United States by the Czar without the consent of the Russian people."

As recently as last August, a correspondent for one of the great American news services wrote while on a tour of Alaska:

"The Soviets never have conceded the Czar's right to sell Alaska. Russian airmen and seamen stationed in Alaska during World War II openly referred to it as Russian territory."

In another article dated Point Barrow, where the Navy has found oil in its petroleum reserve, this same correspondent wrote:

"Russia's attitude if Point Barrow becomes a second Iran is an unknown factor. Native Alaskans have been told for many years that Russia does not admit legality of the Czar's sale of Alaska in 1867. An authority who spent three years at Cold Bay supervising the transfer of lend-lease ships to the Russians said he failed to contact one Russian officer who did not refer to Alaska as Soviet territory. Throughout the war Russians stationed in Alaska contended that the United States had occupied St. Lawrence Island—midway between Alaska and Siberia in the Bering Sea—illegally since it is not mentioned specifically in the purchase agreement. Heads of Russian missions in Alaska argued the purchase price of \$7,200,000 is proof the sale was not made in good faith."

There is much other material of a similar nature of record to indicate Russia's state of mind. And it is disquieting.

What I am about to read dates back eighty years but the parallel with the kind of double talk the State Department gives the American people today is remarkable. But it has a very important bearing upon the issues I am now presenting.

Secretary of State William H. Seward wrote to the chairman of the Senate Foreign Relations Com-

* From a speech in the House of Representatives.

mittee in 1868 requesting ratification of the Alaska purchase treaty. He said:

"Probably this treaty stands alone in the history of diplomacy as an important treaty conceived, initiated, prosecuted and completed without being preceded or attended by protocols or dispatches."

Seward was explaining the negotiations were entirely on the basis of oral conversations with the Russian Minister in Washington and hence his department had no records of notes exchanged between Washington and St. Petersburg.

Now as an example of diplomatic double talk we have a letter written by Seward to a man in Washington Territory. Seward wrote:

"In your letter of the 26th ultimo you say that you have seen it stated in a Sitka paper that the \$7,000,000 we were supposed to have paid for Alaska was really given to Russia to pay the expenses of her friendly naval demonstration . . . to counteract the supposed hostile intentions of England and France; that Russia . . . ceded to us Alaska, which she no longer wanted and it was made to appear that Alaska was bought and sold.' You desire to be informed of the correctness of these statements. In reply I have to say that no confirmation of these statements is found on record in this department."

That is an excellent example of diplomatic double talk. Of course there was no record in his department. Seward took pride in his letter to the Senate in stating there were no records; that the negotiations were entirely oral. Note how Seward conveyed the impression that the cost of the Russian naval demonstration was not a part of the purchase of Alaska. But he didn't deny it though he tried to make it appear he was denying it. He just said there were no records to that effect.

Seward deserves all credit for negotiating the purchase of Alaska. Whether, as the Russians claim, it was thrown in as earnest in a deal involving repayment of the expense of maintaining the Russian fleet in American waters is beside the point. The duly constituted government of Russia did, in fact, cede Alaska to us in a legal transaction. And both parties were satisfied at the time.

The record shows, in fact, that Alaska was regarded by Russia as a liability at that time. Our congressional leaders were moved to ratify the treaty largely out of good will for Russia, gratitude to her for her support of our cause in the Civil War.

Representative Loughridge of Iowa, then an influential Member of the House, explained it this way, writing the following:

"Had it not been for the peculiar circumstances of this case, not the least of which is the friendship shown us by Russia in the dark days of the rebellion, I should have felt like . . . defeating the treaty."

Our consul general in Paris, John Bigelow, wrote:

"Of course neither Mr. Seward nor Mr. Bodisco—Russian diplomat in Washington—said distinctly to me that the purchase was made purely and simply as a gracious recognition on the part of the Washington Government of the attitude of the Czar toward the United States in 1862. But I doubt that there was any Member of either House . . . who supposed the Government then had any other motive . . . than to recognize the obligation to the Czar, or that, as territory, it had any other value except of ridding us of an alien neighbor."

Seward himself, in a memorandum transmitting the treaty to the Senate for ratification, wrote:

"The late Civil War . . . was marked at its very beginning by demonstrations of sympathy and solicitude for the stability of the Union on the part of Russia. . . . It was verbally understood between the two governments that the United States would be at liberty . . . to carry prizes into Russian ports. No Confederate agent was ever received or encouraged or entertained at St. Petersburg. The visit of the Russian fleet to the United States in the winter of 1863 was intended by the Emperor and was accepted by the United States as a demonstration of respect and good will and resulted in an increase of mutual regard and sympathy."

Russia's Atlantic fleet, commanded by Rear Admiral Lisovskii, reached New York September 24, 1863. The Pacific fleet, under Rear Admiral Popov, anchored in San Francisco Bay October 12 of the same year.

Victor J. Farrar, in his "Annexation of Russian America to the United States," writes:

"The United States believed they came to aid the United States in the event of hostilities with England and France. The fleets arrived at the high tide of the Confederacy, and England and France hesitated to recognize the Confederacy until it was too late; hence, the United States regarded the fleets as a factor in the concatenation of events which saved the Union."

Gideon Welles, then Secretary of the Navy, wrote:

"The Russian fleet . . . are now in New York . . . there is something significant. What will be its effect on French policy we shall learn in due time. . . . God bless the Russians."

Farrar also wrote:

"Admiral Popov gave orders that if Confederate men-of-war should put into San Francisco, the fleet should clear for action. . . . If the Confederate vessel should open fire, it should be ordered to leave San Francisco, and if it should refuse, then it should be attacked."

"It is really impossible to estimate the importance which the amity-toward-Russia sentiment played in the purchase of Alaska; first, in securing ratification by

the Senate; second, in securing an appropriation of \$7,200,000 by the House."

The New York Times printed an interesting letter from one Ernest T. Lewis in 1939. He wrote:

"After the Civil War, my grandfather used to tell us, the United States received a bill from the Imperial Russian Government for \$6,000,000. My grandfather was Eleazar Lewis, spiritual adviser to Secretary Seward. A way had to be found to pay the bill. There was Alaska, which nobody wanted. Russia valued Alaska at \$1,200,000. So we bought it for \$7,200,000 at a time when the country was practically bankrupt."

Franklin K. Lane, member of Woodrow Wilson's Cabinet, wrote:

"Secretary Seward secured from Russia a demonstration in American ports of Russian friendship. Her ships of war sailed to both our coasts with the understanding that the expense of this demonstration would be met by the United States out of the contingent fund. It was to be a secret matter.

"The war came to a close and immediately thereafter Lincoln was assassinated and the administration changed. It was no longer possible to pay for this demonstration secretly under the excuse of war. But a way was found for paying Russia through the purchase of Alaska."

Seward did drive a shrewd bargain with the Czar's representative, Edouard de Stoecke—and we honor his memory for it. If the purchase price also represented the cost of the Czar's naval demonstration, well and good.

Last year the Legislature of the Territory of Alaska addressed the following joint memorial to Congress:

"Your memorialist, the Legislature of the Territory of Alaska, in eighteenth session assembled, respectfully submits:

"Whereas it has been reported that Russia plans expeditions into the Bering Sea for catching crabs and fishing for salmon; and

"Whereas Alaska's fisheries must be protected against encroachment by any foreign power into the Alaska zone; and

"Whereas, the President of the United States has declared that the jurisdiction of this country extends over the entire Continental Shelf and is no longer restricted to the 12-mile limit.

"Now, therefore, your memorialist, the Legislature of the Territory of Alaska, respectfully urges that Russia be warned not to extend such fishing expeditions into waters under the jurisdiction of the United States so that the matter may be clearly understood for avoidance of future trouble, and that the proper safeguards be maintained to insure observance of the rights of the United States in the premises."

The Planned Potato

WASHINGTON CORRESPONDENCE

Washington, D. C.

REPRESENTATIVE Fred E. Busbey of Illinois, who thinks the Department of Agriculture's potato program ought to be investigated, prepared the following memorandum and addressed it to the chairman of the Subcommittee on Food Shortages:

"Under the price-support program of 1941, authority was given the Secretary of Agriculture for the purpose of expanding the production of certain scarce commodities in the United States for war purposes. Under this law, the Secretary of Agriculture is permitted to select any commodity he believes necessary to come under the price-support program and guarantee farmers 90 per cent parity, and in addition, to do anything in his judgment necessary to keep them from falling below the established parity price, which, during the past year was \$2.80 per 100 pounds for potatoes.

"During the last season, due to this so-called incentive program to farmers, plus the increased production due to free fertilizer given the farmers under a subsidy program and exceedingly favorable growing conditions, between 80,000,000 and 100,000,000 bushels of potatoes above the normal consumption were raised. The state of Maine had a tremendous surplus of potatoes during the last year. Notwithstanding the great shortage of all types of freight cars, 1,000 carloads of Maine potatoes were moved into the midwest market, principally Chicago, Cleveland, Indianapolis, and Toledo.

"We already had a surplus of potatoes in the Chicago market and there was no necessity whatever for shipping additional potatoes here, particularly from such a far distance as the state of Maine. Not taking into consideration the tremendous administrative cost involved in the entire price-support program, and more particularly as it applies to this particular situation, the cost of getting these potatoes to Chicago, in my opinion, was considerably in excess of \$4 per bag.

"After these potatoes arrived in Chicago, they were warehoused. A total of 8,178 bags containing 100 pounds each were disposed of locally for animal feed at 1 cent per 100 pounds. Of this total amount one farmer in the Third Congressional District, of which I have the honor to represent in Congress, received 5,879 bags. These potatoes were sold through the local office of the Commodity Credit Corporation. Five thousand four hundred and eighty-nine bags were sold without any penalty clause whatever, and as a consequence the recipients of these potatoes at 1 cent per 100 pounds were free to permit a portion of them getting back into the commercial market without any penalties being imposed upon them. Later, during the sale of these potatoes, ostensibly for animal feed, the following penalty clause was made a part of the purchase contract:

"Liquidating damages: If the purchaser disposes of or uses such potatoes other than as livestock feed, said purchaser agrees to pay to the corporation, as liqui-

dated damages, \$3.59 per 100 pounds for each such quantity for other than livestock feed.'

"This price (\$3.59 per 100 lbs.) was considerably below the prevailing price for potatoes during the period these potatoes were sold in the Chicago market. It is a known fact that No. 1 Maine potatoes of the same quality that were shipped into Chicago under the price-control program have found their way into what might be termed the bootleg market under the current price quoted for these potatoes.

"In one instance these potatoes having been shipped from Maine to Chicago and put into storage and storage paid at the rate of 25 cents per bag for the first month and 15 cents per month thereafter, were reloaded in cars and shipped to New York for export at another increase in cost to the taxpayers. A total of 18 cars were so loaded and reshipped to New York.

"After purchasing these potatoes for one cent a bag, the purchaser is in a position to sell the bags alone for a net profit of from nine to fourteen cents each. In other words, the purchasers not only got the potatoes for nothing, but were in a position to sell the bags alone for a net profit on his transaction of from 900 to 1,400 percent in addition to having the benefit and value of the potatoes.

"Under the present subsidy program on potatoes a tremendous, unwarranted profit is being made in the raising of potatoes. To illustrate, even before the farmer plants his potatoes, he knows he is going to be guaranteed by the government \$2.80 per 100 pounds. It is reasonable to assume that under the present conditions, with free fertilizer given the farmer at the taxpayers' expense, he will average around 500 bushels per acre, and there are 60 pounds to a bushel, which means the farmer would have an income under this subsidy program of \$840 per acre. To me this seems utterly ridiculous, and we will never get the price of food down in this country by following such a program.

"The local office of the Commodity Credit Corporation was not able to show me any basis for establishing the sales price of 1 cent per 100 pounds other than that they were under the impression potatoes were sold to the federal penitentiary at Terre Haute, Ind., for animal feed at this price. They used this as a precedent to establish the price of 1 cent per 100 pounds for surplus potatoes.

"During the latter part of last November, I made inquiry of the warden of the federal penitentiary at Leavenworth, Kansas, as to whether he had been able to obtain any of the surplus potatoes for the prisoners. Much to my amazement, he informed me that he had to go out and purchase retail on the open market all of the potatoes used for inmates of the institutions."

The Department of Agriculture itself is unhappy about what the farmer has done to its potato program. One of its representatives in California—the Director of the Fruit and Vegetable Branch of the Production and Marketing Administration—reproached the Kern County Potato Growers' Association, saying:

"Now this year, 1948, your recommended goal for southern California is 52,000 acres. You have indicated

that your actual acreage will be closer to 75,000 acres.

"That, of course, is up to you. It's your gamble. You probably think you're going to hit the jackpot. Maybe you're right—and maybe you're wrong. I'm sure I don't know how your gamble will turn out. But, if the gamble you are taking on the disposal of your crop, in view of the western late crop situation, proves wrong I don't see where you'll have much of a reasonable basis to ask the Department of Agriculture to bail you out. If you guess wrong, it will be your problem.

"I hope you will bear this statement in mind. If you choose to disregard the goal provisions of the national potato program—and your planting intentions have indicated that you may have overplanted your goal by many thousands of acres this year—then I hope you have made plans for handling the production that acreage will bring forth."

In a letter to the Agricultural Committee of the House and Senate, the Secretary of Agriculture reviewed the troubles of the potato program in the last few years. They began with the 100,000,000-bushel surplus of the 1946 crop. Despite vigorous and aggressive action by the Department to handle this surplus, more than 25,000,000 bushels were lost entirely. And net cost of the price-support program for the 1946 crop approximated \$89 million.

Direct steps were taken by the Department, the Secretary said, to minimize price-support costs and waste for the 1947 crop. Supports were limited to those farmers who remained within potato-acreage goals and better quality potatoes were channeled into the commercial market, with necessary diversion concentrated on lower grades. These efforts were partly successful. But the best current estimate is that, when the books are closed, the 1947 price-support operations will have cost about \$45 million.

Lincoln in Our Time

Henry J. Allen

Formerly Governor of Kansas

Had Abraham Lincoln been living today: The Rotary Club would supply him with a set of books. The Lions Club with a good reading lamp. The Cosmopolitan Club with writing equipment. The Kiwanis Club with a wooden floor for the cabin. He would have the protection of the child labor law and government old-age insurance. A kindly philanthropist would send him to college with a scholarship. Incidentally, a case worker would see that his father received a monthly check from the county. The OPA would reduce his rent by 50 per cent. He would receive a subsidy for rail splitting; another one for raising some crop he was going to raise anyway, and still another subsidy for not raising a crop he had no intention of raising. Result: There would have been no Abraham Lincoln.

The Economics of Patriotism, Fear and Chauvinism

**By Dr. Edwin G. Nourse*

Chairman of the President's Council of Economic Advisers

IN accord with the long-accepted objectives of economic science, I will submit in categorical form several suggested answers as to the compatibility between foreign aid and defense programs and maximum consumer purchasing power.

(1) The economic rationale of European aid is that it is an investment in future purchasing power for our people. It will contract somewhat the flow of goods which might go to supply the American market for a time, in the expectation that this outlay will reduce by a larger amount the need for relief operations or military defense now or later and enlarge our future international trading opportunities. Seed cast on the waters now will multiply into harvests of much greater size in later years. Thus, in broad analysis and long perspective, ERP efficiently managed will contribute to the maximizing of American consumer purchasing power.

(2) Military outlays as such are essentially unproductive and potentially destructive. Nevertheless, some billions withdrawn from civilian consumption during the next few years to produce a convincing show of military strength may prevent actual destruction of our wealth at a later time. In that case, it too can be regarded as an investment, or at least as a necessary protective outlay which will contribute to the maximizing of consumer real income in the long run.

(3) We can't eat our cake and have it too. Five, ten, or fifteen billion dollars' worth of goods and services a year cannot be withdrawn from our economy during the next few years and still leave the real income of consumers as high as it would otherwise be during this period—except on one assumption. If a substantially enlarged military establishment is a sort of new "white man's burden" that we shall have to carry indefinitely, either alone

or as part of UN, then we may have to revise our estimates of the level of real income that our people may expect as "maximum purchasing power."

The qualification is that the circumstances which cause this withdrawal from our consumer market might also operate to enlarge production by a like amount or maintain it when it would otherwise have declined.

It is not possible to demonstrate whether or not this assumption is valid. But it is well worth pondering.

When I suggested the proposition that the economic outlook was rendered less favorable as a result of the diplomatic support and military defense programs we have had to undertake in an unpeaceful world, I implied that we would have attained equally high employment and production in the absence of this stimulus. I implied also that this high production would have been in the form of goods and services that consumers, given free choice, would desire more than what comes out of the diverted line of effort.

But now, in perfect candor, I must admit that I am not altogether sure that, in the absence of foreign aid and defense programs, we really would have achieved this high level of consumer purchasing power or real income. To have done so would have required that we go from the production and market conditions of last summer to a bona fide peacetime economy in which we effected the income and price adjustments necessary to a peacetime bargaining—and partly administered—market without suffering aggregate production cutbacks or settling down to a level of total activity less than that which we will in fact maintain under the spur of European aid and the defense program.

Would our economic sophistication, our mutual forbearance, and our behavior in a competitive market in fact have produced a larger end product than will be engendered as a result of superimposing an admixture of patriotism, fear, and chauvinism upon that pattern of economic life? I leave that question with you.

The foreign aid and defense programs have postponed the day when we shall have to face that issue.

And since they inevitably enlarge the flow of monetary purchasing power to an as yet indeterminate extent and reduce the supply of civilian goods in some unknown degree, they cannot help but make more difficult the ultimate attainment of the hoped-for equilibrium of a free and well-stocked market.

* From a speech on the business outlook, April 27.



The Wheels of Boom

By Charles O. Hardy

Staff Director of the Joint Congressional Committee
on the Economic Report of the President

NO deflation in history ever started in a cheap money period. The fact is that our economic machine works better in a period of inflation, especially the middle part of the period, than it does at any other time.

This is clearly shown by the record of economic activity in 1947 as set forth in the recent Economic Report of the President. During the year 1947 employment was higher than ever before, and production was higher than ever in peacetime; housing units completed were nearly double the number in 1946; consumer expenditures broke all records, as did also private investment in plant, equipment, and inventories. Exports were at a maximum for all peacetime. Productivity was higher than in 1946, while government expenditures were lower.

The satisfactory elements in the situation are overshadowed in public attention by the strong upward movement of prices and profits. The inflation is blamed for the fact that, statistically speaking, incomes appear to have lagged behind the cost of living during the last year and a half. The inflation does not get corresponding credit for the fact that they have gone up much more than the cost of living since the beginnings of the serious inflation in 1941.

There are two main sources of discontent with the inflation. One is the inequity involved in squeezing fixed-income people for the benefit of people with flexible incomes, which has nothing to do with the business outlook. Full employment does not require the triumph of justice.

The other reason for the discontent with the inflation is the fear that it may be incubating a recession to be followed by serious depression. The idea that the longer this inflation goes on the worse will be the next depression seems to me just a bit of superstition. If it had a sound basis that might be a good reason for hurrying up the coming of depression. However, the mere fact that depressions follow booms does not prove that the booms cause the depression any more than the fact that booms follow depressions proves that the depressions cause booms.

What inevitably generates a slump is not just a price rise, but a speculative boom; that is, one in which the demand that makes the prices comes from

people who will pay those prices only because they think they can resell before the boom is over. This kind of boom is viciously self-inflammatory because the rise in prices does not curtail demand but stimulates it. When this stage is reached prices cannot level off; too many holders will sell whenever they think prices have gone as high as they are going. Any price is too high from a speculator's standpoint unless he thinks it is going higher.

I do not believe we have any evidence that any considerable proportion of present prices are in the speculative zone, though admittedly speculation is easier to identify afterward than at the time it is going on.

We are financing the boom as we did the war, on extremely cheap money, cheaper even than in England where the spend-lend policy got its theoretical formulation. The Reserve System has committed itself to the maintenance of the $2\frac{1}{2}$ per cent yield on long-term government bonds, whether the budget is balanced or not. The chief traditional instrument of credit policy against excessive booms has been laid aside; a positive influence will be exercised if necessary to prevent that tightening of money markets which in the past has characterized the late stages of every industrial boom, because such a tightening would threaten stability of the bond market.

Finally, government expenditures are rising and government receipts have probably passed their peak until the next tax revision. The export boom bids fair to be more than replaced by the combination of our own military expenditures abroad and the ERP program.

The economic prospect for the remainder of this year is for continuation of full employment, further increases in wages and profits, and continued shortages in heavy goods industries where expansion of capacity is difficult.

The boom of the past two years has been based on a combination of high and rising money incomes, huge liquid savings, and physical shortages accumulated from the war and perpetuated by bottlenecks in capacity. Over a considerable range the physical shortages have been made up, and for many people incomes no longer permit the volume of luxury expenditure that was made during and just after the war. The transition from an acute sellers' market to competitive selling is bound to involve some downward readjustments both of prices and volume but we do not have to have acute shortages on top of inflation to have a boom. Prosperity has been spotty for the past year and will continue to be spotty unless the international situation changes radically. But spottiness is favorable to over-all stability at a high income level.

The Antitreason Bill

WASHINGTON CORRESPONDENCE

Washington, D. C.

NO piece of recent legislation has been both so widely misunderstood and so maliciously misrepresented as the Subversive Activities Control Bill of 1948, called also the Mundt Bill, which was passed by the House of Representatives May 19 and left in the hands of the Senate. It has been misunderstood (1) by many who are for it because they think it outlaws the Communist Party, which it does not do; and (2) by noncommunist liberals who think it violates the American tradition of free speech.

The extreme misrepresentation of it, as you would expect, has come from the Communist Party. Witness the following statement:

"The Mundt bill would put Hitler's Big Lie on the statute books. It would jail Communist Party leaders, and any progressive described as a Communist. It would make it a crime to advocate socialism, or, for that matter, any social progress. Although the Communist Party is an American working class party, and Americans have been studying and teaching the science of Marxism for a hundred years—this bill would decree that Communism shall be held a "criminal conspiracy" and all advocacy of its immediate or long-range objectives forbidden."—Signed by Wm. Z. Foster, Chairman, and Eugene Dennis, General Secretary, of the Communist Party.

Sentence by sentence that statement is false. The bill would not put anybody in jail for being a Communist or teaching communism, nor for being a Socialist or teaching socialism. It does not say that communism, as such is a "criminal conspiracy." It *does* say that there is a foreign political conspiracy calling itself communism.

What Is Forbidden

"The "Certain Prohibited Acts" enumerated in the bill are four, as follows:

"It shall be unlawful for any person—

"1. To attempt in any manner to establish in the United States a totalitarian dictatorship the direction and control of which is to be vested in, or exercised by or under the domination or control of, any foreign government, foreign organization, or foreign individual;

"2. To perform or attempt to perform any act with intent to facilitate or aid in bringing about the establishment in the United States of such a totalitarian dictatorship;

"3. Actively to participate in the management, direction, or supervision of any movement to establish in the United States such a totalitarian dictatorship;

"4. Actively to participate in the management, direction, or supervision of any movement to facilitate or aid in bringing about the establishment in the United States of such a totalitarian dictatorship."

You may be astonished to see that it is not forbidden to attempt to "establish in the United States a totalitarian dictatorship." What *is* forbidden and *all* that is forbidden is to attempt to establish here a totalitarian dictatorship "the direction and control of which is to be vested in or exercised by any foreign government, foreign organization or foreign individual."

The bill defines, firstly, a "Communist political organization" as one that belongs to the foreign conspiracy, and secondly, a "Communist front organization" as one that is dominated or controlled by the first. But if the Attorney General, having applied the rules of judgment laid down in the bill, found that an organization was either a "Communist political organization" or a "Communist front organization," he could not put it in jail. All that he could do would be to require it to register itself, reveal its membership by name and tell where it gets its money. After that it would still be free to use the mails, provided the envelope or the wrapper containing its literature carried the legend, "Disseminated by ———, a Communist organization"; and free also to use the air, provided each broadcast were preceded by the announcement: "The following program is sponsored by ———, a Communist organization."

To imagine a fantastic case, if the Attorney General found that the Wallace Party had the characteristics of a Communist front organization, according to the criteria set forth in the bill, he could not in any way suppress it. He could require it only to acknowledge the affiliation or purge itself of the taint.

Statement of the Problem

If you suppose that no American does now or ever will advocate for the United States a totalitarian dictatorship to be controlled by a foreign power, e.g., Soviet Russia, then no American is touched by this bill in any way. He is still free to be a Communist, a Socialist or anything he wants to be, and free to preach what he believes, only provided that

neither he nor his organization is controlled by a foreign government.

In its report on the bill the Committee on Un-American Activities made the following statement:

"In considering the merits of the various proposals before it, the committee found that it was confronted with a most perplexing and difficult problem, one of which the framers of the Constitution could have had little conception, and one which required the most comprehensive analysis and study.

"The committee approached the problem with care and restraint because it is believed essential that any legislation recommended be strictly in accordance with our constitutional traditions. How to protect freedom from those who would destroy it without infringing upon the freedom of all our people presents a question fraught with constitutional and practical difficulties. We must not mortally wound our democratic framework in attempting to protect it from those who threaten to destroy it.

"There are no doubt some, whose opposition to communism is beyond question, who contend that no legislation should be adopted because of the grave constitutional questions involved. The committee believes, however, that the Constitution does not deny to the Congress the power to enact laws which will defend the Nation from those who would use liberties guaranteed by the Constitution to destroy it.

"In considering the problem, the committee found it necessary at the outset to distinguish those features of Communist activity against which legislation cannot and should not be directed, from those in the case of which legislative restraints are clearly practicable and necessary. Communism as an economic, social, and political theory is one thing. Communism as a secret conspiracy, dedicated to subverting the interests of the United States to that of a foreign dictatorship, is another.

"The committee holds no brief for the economic, social, and political theories which the Communists advocate, but we contend that, under our constitutional system, ideas must be combated with ideas and not with legislation. If communism in the United States operated in the open, without foreign direction, and without attempting to set up a dictatorship subservient to a foreign power, legislation directed against them would neither be justified nor necessary. This, however, is not the case.

"The committee has intentionally not recommended legislation which will deal with so-called theoretical communism in the United States. We are seeking rather to strike a body blow at the American cadre of the foreign-directed Communist conspiracy. We believe that if its criminal activities are prosecuted, its false fronts exposed, and its foreign assistance and direction cut away, the movement in the United States, standing alone for what it is, will be overwhelmingly defeated. We are willing to permit the theories of communism and democracy to clash in the open market place of political ideas in America, but we insist that communism not be allowed to have the unfair advantages in this conflict of the unrestricted use of illegal means,

the cloak of secrecy and fraud, and the assistance and direction of a foreign Communist dictatorship."

The Intention

Within the philosophy of that statement, the Subversive Activities Control Act of 1948 is, in the words of the committee, directed toward:

"1. Making unlawful all activity which has as its purpose setting up a totalitarian government in the United States *under foreign control*.

"2. In view of its foreign-directed character, requiring the Communist movement in the United States to operate in the open rather than underground.

"3. Cutting the threads which bind the international Communist conspiracy together by restricting travel of members of the American section of the world Communist movement.

"4. Protecting the integrity of the government itself by denying government employment to members of the American section of the world Communist movement."

In a letter to *The New York Times*, Raymond L. Wise, formerly Assistant Attorney General of the state of New York, complained that many statements had been made about the bill by persons who had not actually read it, and then said: "Section 4 prohibits any attempt to establish a Communist state here."

Section 4 does not "prohibit any attempt to establish a communist state here."

In a letter to the Senate Judiciary Committee, Professor Zachariah Chafee, Jr., of Harvard Law School, said: "Section 4 punishes any sort of participation in the novel and very vague crime of establishing a totalitarian dictatorship in the United States."

But the bill does not propose to do even that. Both of these legal witnesses leave out the definition of what is forbidden.

In view of these and many like statements, Section 4 will bear attentive rereading. It is as follows:

"Section 4. (a) It shall be unlawful for any person—

"1. To attempt in any manner to establish in the United States a totalitarian dictatorship the direction and control of which is to be vested in, or exercised by or under the domination or control of, any foreign government, foreign organization, or foreign individual."

It is clear that what the bill does prohibit is an attempt to establish in the United States a totalitarian dictatorship the direction and control of which is to be vested in or exercised by a *foreign* government, a *foreign* organization or a *foreign* individual.

Life in the Low Brackets

The Eastern Subcommittee of the Joint Congressional Committee on the Economic Report of the President went far afield for its information and concentrated its attention on the high cost of mere sustenance. Its area was all that part of the country lying east of the Alleghenies, including Georgia and Florida. Here are excerpts from its report to Congress.

WE have found that important information is concealed in the averages with which the statistics deal. We have found that average family incomes include wide discrepancies and that the group of our people which is not enjoying an adequate standard of living under present circumstances is a substantial part of the whole. Similarly, it has become clear that the high average consumption per capita of such things as meat conceals both serious waste at one end of the scale and undernourishment at the other.

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The testimony revealed that a substantial part of the urban population of the country is finding it difficult or impossible to make ends meet. It revealed that our high general average of production and consumption is unequally distributed. It pointed to the necessity for finding some means of making it possible for the lower income group to maintain the health and well-being of their families. There was no region in which this condition was not found to an extent that made it a matter of real concern.

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Some general indication as to the composition of this low wage group was given in the course of the hearings. It includes both organized and unorganized workers. It includes a considerable part of the "white collar" class both organized and unorganized teachers, social workers in general, and the younger clergymen are definitely included. *The pressure toward radical economic and social doctrine on these important groups must be strong indeed.*

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Others who are suffering severely are those whose income is dependent on pensions whether from government, private industry, or personal savings. The position of many of these was described as being desperate.

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A special group is that of the colored people largely engaged in lower paid intrastate occupa-

tions, such as the service trades. It was brought out in the evidence that in New York City they suffer a special disability resulting in some way from the large segregated area in which most of them are housed. It appeared that there was a long existing condition of higher prices and poorer quality than for the white people, in the stores which supply the needs of the area. Why business enterprise has not taken advantage of this long existing condition was not made clear.

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Reference was made in a number of hearings to a budget for a family of four prepared by the Heller Committee at the University of California. This budget purports to give the proper distribution of expenditures for a satisfactory living. One third of the budget was allocated for food. As against this we found that many urban families were paying 40% of a smaller income, 50% or even 60%, of the income for food. And in few cases and in few places was it possible, whatever the family income, to pay for the required food at an expenditure as low in dollars as that called for by the Heller Committee Report.

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It is clear that there is a large body of low wage earners concealed in our high total national income. It is also clear that when there is a sufficient supply of important foods, as for instance of meat, the distribution of it is such as to leave a large area of disproportionate supply. If this condition continues there is danger that the reduction of the proportion of income available for commodities other than food may have a disruptive effect on our whole economy.

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There was considerable testimony from merchants in other lines confirming the importance of the food problem to the customers. The necessity for diverting a larger and larger proportion of urban family income in this direction threatens to cut down the purchases of clothing, furniture and other items of consumption.

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There was great indignation expressed as to the increased aggregate profits of food processors and distributors which was not entirely allayed by the figures presented as to the minor effect these great

aggregate profits have in increasing the costs to the consumer, particularly of food.

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We found enormously increased aggregate profits on the part of the processors and distributors. However, we did not find that those profits were so high with respect to sales that the amount taken out of the consumer's dollar for profit was the major factor in high consumer prices. In saying this we are not indicating that profits in these industries are unimportant. We believe that for their own sake, particularly from the standpoint of public relations, these businesses should show restraint in their take-out.

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When we came to consider these profits as percentages on sales, however, we got a measure of the contribution to the consumer welfare which could be made by cutting down on or, in the extreme, eliminating these profits altogether. In general, the meat packers and the chain stores showed the smallest take-out from the consumer's dollar of any of the firms investigated. This ran from one and two-tenths of a cent on the dollar in the lowest case to three and six-tenths of a cent on the dollar with other companies spread in between the two. In the most extreme case, that of the Food Fair Stores, an average reduction to the public for its product from \$1.00 to 96.4 cents would have wiped out completely the heavy profit of 36 per cent on the company's net worth.

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For meat packers we had the figures for Armour and Swift, indicating in the first case an increase in net income after taxes from \$9.3 million in 1945 to \$21 million in 1946. But this was a gain at a charge to the customer of only 1¢ on his dollar, the figure being .8 of one cent per dollar after taxes in 1945 and 1.8 cents in 1946. For Swift the corresponding increase in income after taxes was less. For the two milk companies represented, Borden and National Dairy, the net income after taxes on sales increased from 2.6¢ to 3.6¢ in the first case and from 2.2¢ to 3.4¢ in the second.

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The testimony of wholesalers was on the whole to the same effect. Particularly in the case of milk it appeared to be shown that the profit in general did not run much above a half cent a quart for fluid milk nor was the profit on all operations, including ice cream, butter, cheese, et cetera, excessive when viewed from the standpoint of the amount of that profit reckoned on the customer's dollar. Milk production on the farm definitely appeared to be caught

in the squeeze between high food and farm labor costs on the one hand and consumer resistance on the other. A distressing phenomenon of the milk situation was the actual destruction at various times and at various places of some "surplus" supply of milk.

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Unless these figures are attacked as false or unreliable there is no indication that any great contribution to the reduction in the cost of living can be made by reducing the profits of food processors and distributors. There may be a certain effect from pyramiding these small profits but in general it was found that in the case of many food products the route from producer to the consumer under modern conditions involves very few steps.

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Government support of the prices of farm commodities has been under attack in our hearings as a primary cause of high food prices. There seems to be some justification for this in the case of certain products such as potatoes, at times eggs, and more recently dried fruits in which the free market prices have fallen below the support prices. In most of the other cases and with most of the important food products, the free market price has been well above the support price and it is therefore not at all clear in those cases that governmental action under the Steagall Amendment has had any effect in raising the price of food.

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In fact, in the contrary direction, the support prices have been high enough to bring out the maximum production and have in this way and to this extent increased the supply and thereby kept prices from rising even further than they have.

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A serious mistake in part in the nature of the legislation and in part in administration has resulted from the application of the Steagall Amendment. We saw the destruction of many tons of the last year's potato crop. Countless calories of nourishment were lost. Eggs also were withdrawn from the market and either powdered or frozen, putting them in condition unacceptable for household use in a succeeding period of egg shortage and high prices.

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Many witnesses called attention to increased labor costs as a large cause in increased costs of consumer goods. This is evidently a fact. The fact remains, however, that labor cost has not been so nearly dominant in connection with grain and meat

prices as it has been in the other consumer goods, except as high wages have been a factor in expanding demand from the more highly paid. At the same time the increase in food prices has been the serious element in the cost of living and thus becomes the dominant factor leading to increased wage demands.

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The most serious wage effect arises from the recent tendency of the wage increases to be demanded by those already in the higher wage brackets, leaving the low income groups further and further behind. In the distribution of the goods and services produced by the total economy the high income groups thus benefit at the expense of those in the lower brackets.

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Further raising of wages is the expected effect of continuing rise in the cost of living particularly so

far as relates to food. But it needs more study if it is to be considered a solution rather than a temporary palliative. The evidence seems to point to its being only a temporary palliative and not a very good one at that. In taking place on a broad scale it enures to the benefit of the particular industrial group involved but to the ultimate hardship, so far as it results in price rises, to the other groups who do not share in the increase. In particular it works out in this way as a hardship to the low wage groups, the pensioners, and all the others who are left behind in the raise.

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It is most unfortunate that there seems to be a tendency for the wage advances to be spearheaded by those already in the upper wage brackets instead of by the lower wage group. As a result the advances gained by the upper wage group are at the expense of their less fortunate brothers.

How To Equalize the Wealth of the World

This bit of statistical relativity is contributed

AS nearly as we can estimate on the basis of very detailed calculations first made by us in 1930, the wealth and income of the United States before the outbreak of the last war compared substantially as follows, in round numbers, with the wealth and income of the remainder of the world:

1. Population

World total, latest estimates (1938-1939), around
2,145,000,000

United States (corresponding date), around
130,000,000

Per cent of world total, around 6%

2. Wealth

World total, around \$1,100,000,000,000

United States, around \$330,000,000,000

Per cent of world total, around 30%

(Around 1930, the wealth of the United States was estimated to be from 33% to 35% of the world total.)

3. Income

World total, around \$210,000,000,000

United States (1940)

\$72,000,000,000-\$75,000,000,000

Per cent of world total 34%-36%

(In 1929, the United States income was estimated at 41%-42% of the world total.)

It is significant that the *relative* position of the United States gradually deteriorated during the decade of the thirties, due to the fact that recovery

in other leading countries was much more rapid than in the United States.

To make the problem as simple as possible, the United States, with 36% of the world's income and 6% of the population, has a living standard *per capita* equivalent to 6 units of income (36 divided by 6). The rest of the world, with 64% of the income and 94% of the population, has a per capita standard equal to $\frac{2}{3}$ unit of income, or on the average $\frac{1}{9}$ of that of the United States.

In order to establish "equality" throughout the world, the United States must retain only her *per capita* share of the total world income, i.e., she must reduce her income to 6% of the total, and must give away the remaining 30% of the world income which she now holds, so that 94% of the population outside the United States will also receive 94% of the world income. This operation would *theoretically* raise the rest of the world to an average per capita income of *one* unit—which is a theoretical gain of 50% from the present average! But the average citizen of the United States would, in the process, lose $\frac{5}{6}$ of his income.

In other words, if there were no economic loss in this process of "redistribution," and if the rest of the people of the world who receive our "gifts" would continue to work as hard as they do now to produce their own sustenance, we would reach a theoretical equilibrium with *all* people in the world (including the United States) having a standard of living $\frac{1}{6}$ as high as that now prevailing in the United States!

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