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SUPPLEMENT

The Government's Reach for Education

BY DONALD J. COWLING AND CARTER DAVIDSON

An American Affairs Pamphlet

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Notes on the Contents

Laissez Faire. The occasion for this historical piece by the editor was the rejection of *laissez-faire* capitalism by the World Council of Churches at the Amsterdam conclave last autumn. The significance of that event has not been widely noted. An interesting further discussion of it appeared in the December letter of the National City Bank.

Perils of the Military Strain. This discussion of our economic dilemma by Professor Edwin G. Nourse, chairman of the President's Council of Economic Advisers, was not addressed to the public in the first place but to a Joint Orientation Conference of the National Military Establishment. It deserves careful, if not prayerful, reading.

Human Rights on Pink Paper. In this essay, Frank E. Holman, president of the American Bar Association, is trying to arouse common interest in the political and social implications of an international bill of rights, which, if it took the form of a treaty, would become the supreme law of the land. There has been a notable indifference to this project generally. Only the United Nations organization has seemed to be deeply concerned. It has just issued an enormous tome entitled, "Human Rights Year Book," which is a catalogue of all the law of the world in this matter.

The International Trade Charter. This momentous and obscure document will come before Congress in the very near future. Popular discussion of it, either as an adventure beyond any experience with internationalism or as an economic instrument, has been inadequate. The ideas people have about it are mostly derived from the State Department's propaganda. For these reasons this number of AMERICAN AFFAIRS is rather heavy with the subject.

The Supplement. "The Government's Reach for Education," by two educators, Donald J. Cowling and Carter Davidson, is a notable contribution to the current literature of a burning subject. A bill to subsidize public schools with federal money will be pressed in the new Congress, with odds in its favor. Legislation also is imminent for the program of the President's Commission on Higher Education, calling for planned mass education above the high school level, to be subsidized by the Federal Government.

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

SOCIALIST Great Britain is terribly afraid that if the Americans persist in their free enterprise folly the American boom will end in another American bust; and this would be very bad for the socialist regime in England because it would cause the source of their free capitalist dollars to dry up. So her socialists now will tell us how to avoid a bust. It is very easy. We should have only to adopt socialist measures, like Great Britain. The *New Statesman and Nation* says:

"The United States could prevent this slump, of course, by noncapitalist methods — by reducing profits, improving real wages, and controlling both prices and production. Yet for most Americans this would be to come perilously near communism."

Yet it thinks we owe it to "the welfare of our clients overseas" to take such measures before it is too late. It is certainly true that socialism has saved Great Britain from all the dire effects of a boom; whether, without the aid of American dollars, it can save her also from bankruptcy remains to be seen. When Sir Stafford Cripps needs more American dollars he says it can't, but that makes no impression at all on whatever it is these socialists think with.



IN this number of *American Affairs* will be found an article by our Washington correspondent entitled "News of ITO and GATT," and following that an article entitled "The Case for the Charter," which is from a report by a special subcommittee to the Committee on Foreign Affairs in the House of Representatives. Owing to its air of equipoise and to its excellence as a document, this report will undoubtedly influence the mind of Congress. The conclusion at which it arrives is therefore important. The conclusion is that the proposed Charter for world trade, for all its demerits, is the best that can be written in the circum-

stances; that the Congress ought to accept it as it is, and that the United States must join the International Trade Organization to save the great idea of a planned and orderly economic world. What were the difficulties that faced the writers of the Charter? The report is quite frank about it. The main difficulty was that when the 57 nations met in final conference at Havana, the United States almost alone represented the philosophy of the free economy. The report says:

"If the charter is to be weighed as an instrument for establishing private enterprise throughout the world, one answer to its adequacy would be arrived at."

The answer in that case would be that the Charter is weighed and found wanting; but, says the report, if it is to be regarded as an instrument for avoiding economic warfare among highly diverse economic systems, the answer will be quite different. It will be favorable. So what comes of the American philosophy? Nothing comes of it. The report says:

"To force the principles of private enterprise on the rest of the world would have been impossible, even if desirable. . . . It would presumably be better for American institutions if the world were at one in supporting private enterprise, but the world is not so minded, at least not without qualifications, and the United States must, therefore, make the best of the situation."

Which is to say, simply, that the one country in which the philosophy of a free capitalist economy continues to be upheld, and the one country which for that reason has a surplus of wealth to give and lend-lease away, shall accommodate *its* philosophy to the socialist and anticapitalist ideologies of a mendicant world. Why?



IT may have been a mistake to defend capitalism on the ground that it multiplies the satisfactions of common life in a prodigious manner. That defense rests upon the assumption that if only you can keep the standard of living rising, everything else will somehow come out right. But if that were true European ideologies, instead of flourishing here

would have sickened and died. It may have been a mistake to defend capitalism at all. We should have been defending liberty. If you have liberty you do not have to worry about free private enterprise. Liberty is its natural climate. And if it is liberty you are defending, not capitalism, what will you say, for example, to the American wage earner? You will not tell him how many times better off he is here than a wage earner anywhere else in the world. He knows that. You will not tell him that he has to work only part of a forenoon for a pair of shoes whereas in the Soviet Union he might have to work a week for a worse pair, or that here he has to work half an hour for a pair of nylon stockings to put on his wife whereas in Russia he couldn't buy them at all. He knows that, too. Then what will you tell him? You will say to him something like this: In a free country you can always tell the boss to go to hell, and that is a great psychic satisfaction. But there is a price to pay for this freedom. In a free country the boss, too, is free. He is free to say you are fired; and then you have to find another job. You were unwilling to pay that price for freedom. You wanted to be free yourself but you did not want the boss to be free. You wanted a law to deprive the boss of his freedom, and you got it. Now you can tell him to go to hell and he cannot say you are fired. That seems to be freedom for you without any price at all, and it is fine as long as it lasts. But it cannot last. When you have deprived the private boss of his freedom to say you are fired he will presently disappear, and in his place you will get one boss—one employer of all labor—and that one boss will be the government. Will you be free to tell the government to go to hell? The government will fix wages and hours and tell you what to do, and you will do it or else. And your right to strike will be only the right to starve.

AS it writes its annual report, the International Monetary Fund remembers that one of its purposes was to promote "exchange stability" in the world, to the end that every member's money should be convertible into every other member's money in a smooth and equitable manner, with no benefit of speculators; and that of course was going to be wonderful for world trade. Then it devotes a chapter to the consequences of the fact that stability has been promoted to the point of rigor mortis. The news may tell of Great Britain's frantic struggle to avert national bankruptcy. As we pour our billions into Europe to relieve the dollar shortage a cumulative total is rung up on a Marshall Plan dial like donations in a community chest drive. If the supply of Marshall Plan dollars fails the currencies of Europe will crash. But none of this is reflected in

the monetary tables of foreign exchange. There you see perfect stability. There day after day it is reported—and reported on the authority of the International Monetary Fund—that in New York it takes four dollars to buy a pound sterling and that in London a pound sterling will buy four dollars, and this does not change. The International Monetary Fund, therefore, has achieved its purpose. Stability of the exchanges, we have it. Yet there is monetary chaos in the whole world, and the exchange of goods among nations is thereby deranged. Practically, as a medium of international exchange, money has ceased to function. Now the exchange of goods and services is effected by arrangements, conventions, treaties, sanctions and political bargains; and trade is conducted by governments acting as principals—government as enterpriser, banker, forestaller and merchant.

IN a wan voice the International Monetary Fund says that although it cannot itself propose the remedy, it is ready to give prompt and "realistic consideration" to any member's request for an adjustment of the par value of its currency. The queue will form on the right, please. Then it adds, sympathetically:

"In the present abnormal conditions of the world it is difficult for some countries to abandon certain exchange practices which do not conform to the long-term objectives of the Fund. Many countries find it necessary to impose restrictions on current transactions, and where exchange restrictions are not imposed, imports are usually held in check by restrictions of other types. The view has been expressed that the necessity for these restrictions would disappear and international equilibrium would be restored if exchange rates were permitted to respond freely to the market forces of supply and demand. The fundamental conditions which would make possible the abandonment of trade and exchange restrictions are, however, entirely absent today in most of the world, and in fact very few countries are prepared to establish a genuinely free exchange market."

Here you have the fable of the Arkansas traveler in reverse. He never could have a roof on his house because always when he needed one it was raining. Exchange restrictions create fundamental conditions under which the exchange restrictions cannot be abandoned.

WHEN, under the Bretton Woods Agreement, it came time for the International Monetary Fund to fix the value of the world's currencies, expressed in terms of one another, it was obliged by law to accept each member's valuation of its own

money, with the result that every country overvalued its own money against the dollar, for the simple reason that the higher they put the value of their own money the cheaper the dollar would be either to buy or to borrow. And so the exchange value of each country's money was fixed, or, as they say in the market place, it was pegged; and that was the beginning of monetary chaos. At these values currencies were not convertible, as the British discovered when they opened the market to a free exchange of dollars and pounds and had to stop it in a very few weeks because they were losing their shirt. Everybody with a pound sterling wanted four dollars for it; nobody with four dollars wanted to exchange them for a pound sterling. Since then currencies have been increasingly inconvertible at the official rates, and yet the International Monetary Fund has been unable to do anything about it. It cannot of its own motion change a rate that has once been fixed. It must wait until a member wants to revalue its money in terms of the dollar and asks for permission to do it; and for the same reason that every country in the first place overvalued its money, no country wishes now to revalue. Everybody wants dollars to be cheap. The truth is that the disequilibrium of the economic world is largely owing to the fact that the dollar is too cheap.



BUT "Inconvertibility of the Currencies" is a theme song. It supports a delusion and conceals a fact. Currencies are always convertible, *at a price*. That is what exchange markets are for. If a dollar were worth a bushel basket full of French francs, then francs would be worth a dollar a bushel. Anyone with a dollar could buy a bushel of francs and anyone with a bushel of francs could buy a dollar. That would be convertibility. The monetary troubles of Europe are not owing to inconvertibility of the currencies; they are owing to the fact that governments have abolished convertibility by doing away with free exchange. In a free exchange market money values would be very quickly determined. Pounds, francs, guilders, even Chinese money, would be bought and sold, and the value in each case would represent the instant composite judgment of thousands of bankers, merchants, traders and speculators. Convertibility would be a matter of arithmetic. The governments of Europe do not want this. Each one wants to fix the value of its own money. Thus convertibility is sacrificed to the illusion of stability. Since the function of money, freely valued, is to effect an exchange of goods among nations, and since that function is suspended by government, it follows that government must control and direct trade, and that trade, too, then becomes rigid.

THE human impulse to trade has the intensity of an instinct. If people are let alone they will trade over all obstacles, in any kind of economic weather, using any kind of money. That is the one solution the governments of Europe are unwilling to consider. Their objection to it is that if people were free to produce and exchange goods in their own way, national interest would be in jeopardy. They might, for example, consume too much of their own produce and sell too little of it abroad, thereby creating an imbalance of exports and imports and that might wreck their economy. But this is a problem that creates its own premise. When you have removed the automatic control mechanism, any system containing pressure becomes dangerous and may get itself into trouble, even a free economy. When the natural function of money is suspended, the natural function of price also is suspended, and there is no way of telling what anything is worth or what it costs, or whether you can afford to produce it, consume it or sell it. If money and prices were free, that is to say, if the dials of the automatic control mechanism were working, people would not consume too much of what they produce or sell too little of it, for the simple reason that they could not afford to do it. To this the planners reply: "What you propose is that the satisfactions of life shall again be rationed by price, in the old cruel way." The answer is that for all governments and planners can do about it, the satisfactions of life will be rationed by price. The only question is: Shall it be the price made in a free market or a price made by government? If the free market makes the price, it will be a money price, charged and paid once for all. When the government makes the price it is a political price and provisional; what more will be added to it no one may know before the sequel. To the illusory prices at which the governments of Europe now ration the goods of life, you must add something that cannot be calculated in money, namely, the cost of all that economic frustration which retards the recovery. This is a cost everybody pays without knowing precisely how or why. It would be much higher for the people of Europe if part of it had not been transferred to the Americans who provide Marshall Plan dollars. If money and prices were free in Europe and if the power of the profit motive were released from restraint by government, then the French would be selling Lorraine ore to the Ruhr, which the French Government forbids, and the Ruhr would be buying the rich Swedish ore they need to make steel, all of which has been engrossed by the British Government, and Germany would be able to provide Europe with steel; whereas now the United States has to ship steel to Europe, feed the Germans who cannot buy Lorraine ore and at the same time support the planned economies of Great Britain and France. The one great obstacle

to the recovery of Europe is government and the single defense of government is the argument that people seeking their own economic advantage would either ruin themselves or bring about an antisocial distribution of wealth, or both.

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CONTRIBUTIONS to this managed fantasia: (1) By the President—a committee of economists to think of ways to circumvent inflation and at the same time a program enormously to increase the expenditures of the Federal Government for the general welfare of the richest and most extravagant society in the world. (2) By organized labor—resolutions of policy demanding an ever-increasing share of an ever-increasing national income, to overtake the cost of living. (3) By the Socialist Government of Great Britain—the discovery that people may gain freedom from want by exchanging liberty for it, guaranteed for so long as Marshall Plan dollars last. (4) By the Soviet Union—neon signs in Moscow to advertise Russian champagne.

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FOR the sin of asking all that their customers were willing to pay, private automobile dealers have been haled before a hostile committee of Congress, lectured on their antisocial behavior and threatened with a law to limit their profits. Where there is sin there must be temptation and opportunity. What was this opportunity? The automobile dealers found themselves in this plush situation precisely for the reason that the motor industry was unwilling to charge all that people were willing to pay for automobiles. The automobiles the industry sold to its dealers, therefore, were underpriced. The difference between the industry's price to the dealer and the price the customer was willing to pay was the dealer's temptation. It was as much as \$500 a car, over and above the dealer's normal margin. The question is: Why did the motor industry forego this profit? The only possible answer is that it could not afford to take it. On the prices it charged the dealer it was still making apparently a very large profit. If it had raised prices to what people were willing to pay, leaving the dealer only his normal margin, its profits would have been so large that it would not have known what to do with them. It couldn't distribute them to labor without upsetting the national wage structure. On the other hand, it couldn't pass them on to the consumer by cutting the price of the automobile, because, first, since the industry was already producing automobiles to the peak of its capacity the effect of cutting the price

would have been only to increase the demand without increasing the supply, and, secondly, with two or three buyers clamoring for each car offered at the reduced price, distribution would have had to be controlled by a lottery method or a private rationing system and in any case the gray market evil, if it is an evil, would be many times worse. What is true of the motor industry is true also of the steel industry. It is a strange state of facts. If you define a free market as one in which scarce goods are rationed by price, which is the classic function of price, then the wicked gray and black markets are at this time the only free markets in the world.

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IN the annual report of the American Civil Liberties Union the following statement appears:

"Though the civil rights program is aimed principally at federal legislation, which was not enacted, the federal courts during the year extended their own civil rights program. Marked advances were made."

The lawmaking power, which is the Congress, failed to provide the legislation. Nevertheless, the federal courts went on with a program of their own. Would it occur to the American Civil Liberties Union that if the federal courts can advance a *social program of their own*, the principle of constitutional government is sunk?

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THE Very Reverend Hewlett Johnson, called also the Red Dean of Canterbury, who did get into the United States to make his lectures for the Soviet Union, believes in mass murder as an instrument of social policy. In his book, "The Secret of Soviet Strength," published in 1943 and widely circulated in this country by the Communist Party, he said:

"The 'purges' have troubled many. They are better understood today than in 1936, when they occurred and were used by an unscrupulous press to shock the world. Heralded here and in the United States as instances of ruthless suppression of internal revolt and independent political thought, they now appear as safeguards against the Quisling brood. . . . There could be no question of swapping horses in midstream. . . . Russia decided for good or ill to try a Socialist regime: the discussion of any other in midstream was futile and dangerous."

By the same logic, the Very Reverend Hewlett Johnson should be liquidated in a capitalist country.

Winds of Opinion

Somewhere in the not too distant future there is an overdue day of reckoning. Two world wars and a heartbreaking economic upset in one generation, a heavy and steadily increasing local and national tax bill and a completely unscientific tax structure must, at some date, be paid for. Our recent program of expenditure and exhaustion of national assets calls now for individual and national economy. All signs point toward a somewhat reduced standard of living, voluntary or compulsory. Even the greatest country in the world and of all time must watch its step.—*Nugent Fallon, president of the Federal Home Loan Bank of New York.*

With both leading candidates headed down the "road to serfdom" and Mr. Wallace insisting on traveling down that road a bit more rapidly, what choice was left for the believers in the old-fashioned American doctrine of individual freedom? Should they vote for Tweedledum or Tweedledee? How did they answer the question? 21½ millions voted for Tweedledee; 23½ millions cast their ballots for Tweedledum; and 47 millions did not vote at all. For the fourth time, the Republicans have demonstrated the futility of attempting to steal New Deal votes.—*Professor Willford I. King.*

Once again, and for the fifth consecutive time, the Republican Party has elected a Democratic President.—*United Mine Workers Journal.*

It is one of the favorite fallacies of the age that intractable political problems can be solved by economic means, that if people can only be made well fed and kept fully employed, they will cease to be nationalistic and warlike and will settle down in federal harmony. It must be confessed that there is more than a trace of this fallacy in the original Marshall idea. But unfortunately it is a fallacy, and progress in forming an economic union of western Europe now waits upon political consolidation, not the other way round.—*The Economist, London.*

To our amazement we are beginning to perceive that the world has always been in principle much as it is today—always slowly approaching a crisis that threatened to engulf it. The chief change lies in accelerated material progress which, while raising

standards of living, has also brought menacing advances in implements of warfare and has greatly expanded the arena of conflict. It is science, more than capitalism or democracy, that distinguishes the modern era.—*Business Digest of the University of Iowa.*

Science, which has turned a corner on the past, is never going to stop and its potentialities open wholly new problems in peace and war. We are pioneering in a world which resembles that of 1910 as little as engineering resembles hand labor.—*Dr. James T. Shotwell.*

While Socialist ministers are boasting of their achievements and of the benefits they have given the public—of which the public is not always conscious—they seem to forget that they are living on the charity of the greatest capitalist free-enterprise state in the world—the United States.—*Winston Churchill.*

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. We believe in this freedom and we think it makes for progress and efficiency.—*The New York Times.*

We all know how political, intellectual and spiritual freedom evaporated under the impact of a planned economy in Russia, Germany and Italy before the recent war. Yet, today, we see England embarked on that same perilous course, and even here in the United States plenty of influential voices are trying to point us in the same direction.—*H. W. Prentis, Jr.*

When the desire of the businessman for "free enterprise" is so strong that he will risk bankruptcy to get it, he cannot be denied.—*Frank Chodorov.*

I am always slow to use the entering wedge argument. I prefer to judge a thing as it stands. But as a realist I know that this scheme will grow in money and grow in power; and I sense the fact that its supporters on this floor hope and believe that it will. The shadow of the federal inspector will be over every school in the land. This bill heads us into a centralized federal thought pattern. To me

this is violently opposed to our traditions. We are not a monolithic state. We are an edifice, built of strong stones of different shapes all bound together by the strong bond of a common patriotism.—*Senator Henry Cabot Lodge, Jr., on the bill for federal subsidy of public schools.*

The Federal Government has no right to take tax money out of our pockets and then give it back to us without some form of supervision. Therefore I say they cannot give federal money for support of higher education. For when federal money comes into that field we are entering a dangerous situation.—*General Dwight Eisenhower.*

How can the Federal Government grant anything to a state? It has only the revenue which it collects from the citizens of the 48 states. We cannot get a gift from the Federal Government, because we are the Federal Government. When the money comes to Washington, where there are 1,154 bureaus, the bureaus take their toll from it, their 15 per cent, before they pay any money back to us.—*Senator Harry F. Byrd.*

We have lived for centuries without the Marshall Plan.—*Charles de Gaulle.*

In the end, I suppose, mankind will be got into order by the only means that has ever worked in the past or will ever work hereafter, to wit, by the appearance of a first-rate military conqueror. His chances of success become better every day. Most of the peoples of the earth will welcome him, as they have always done heretofore.—*H. L. Mencken.*

The part nature has played in over-all crop production in recent years is assumed by some to be all important. Cooperation of the forces of nature is, of course, vitally important. However, man himself with his new and improved crop varieties, increased mechanization, and improved farm and soil management practices, deserves much of the credit for the increase in yields over prewar.—*Federal Reserve Bank of Minneapolis.*

Paradoxically, lack of confidence in the soundness of the business situation has contributed something toward keeping it sound. Caution helps to maintain orderly markets and minimize speculative excesses,

extravagance and overexpansion. In the end it helps prolong activity. The conservatism and sound sense of the business community, which ironically has been fortified by fear that a bust was around the corner, has been a stabilizing and supporting influence on business throughout the two years.—*National City Bank.*

We have to exercise judgment in pulling the anti-inflation levers while speeding up a mountain of inflation with a chasm of deflation on our right.—*Thomas B. McCabe, Chairman of the Board of Governors of the Federal Reserve System.*

The auto industry will be able to sell its cars at the prewar price, and most likely even below that price, just as soon as a ton-mile of commercial transport, a bushel of wheat, a pound of butter, a ton of steel, and a day of labor sell for the prewar price. We can expect to get something resembling prewar prices for all goods and commodities when we again have a dollar that resembles the prewar dollar.—*James D. Mooney, president of Willys-Overland Motors.*

Another reason why I do not desire to remain in the Senate for another term is because I can see slight hope of saving our nation from going entirely socialistic or communistic. There are less than a dozen men in the United States Senate who consistently vote to maintain the American form of government.—*W. Lee O'Daniel, United States Senator from Texas, retired.*

The lives of the poorest men in America are, on the average, such that if a high material standard of living could solve the problems of living, the average American ought to have no problems. He ought to be not only contented, but the happiest man on earth. But not only the average American is discontented and unhappy, but so are most of that minority who are rich and who presumably have no material problems of any kind.—*The Interpreter.*

But, unfortunately, it is not enough to keep repeating: "Peace, it is wonderful." In our present world, peacemaking is a complicated and serious business. Peace can always be had, by individuals and nations, by giving in on every point until one is stripped of everything—except peace, the peace of the grave.—*William Morgenstierne, Ambassador from Norway.*

Laissez Faire

By Garet Garrett

AT Amsterdam, last September, Protestant Christianity, represented by the World Council of Churches, reclaimed an authority that was surrendered at the beginning of the Industrial Revolution 200 years ago—an authority, namely, to impose moral sanctions upon business, touching what people may do with their property and their money and how they shall conduct enterprise. In its “Report on the Church and the Disorders of Society,” the World Council of Churches said:

“The Christian Church should reject the ideologies of both communism and capitalism, and should seek to draw men away from the false assumption that these are the only alternatives. Each has made promises which it could not redeem.”

That was the first draft. An American delegate moved to insert in one place before capitalism the words *laissez faire*. With that amendment the report was adopted, and now reads:

“The Christian Church should reject the ideologies of both communism and *laissez faire* capitalism.”

Thus you may take *laissez faire* to be either an adjective, intended to modify the thing condemned, or an odious epithet. Generally it will be taken as an odious epithet because that is the only sense the words now have for millions of people who could no more tell you what they mean or once meant than they could define the thing they call capitalism.

The shivering ghost that now inhabits the words *laissez faire* was once an unconquerable fighting spirit. It did not belong to capitalism. It belonged to liberty; and to this day its association with capitalism is valid only insofar as capitalism represents liberty.

When the great struggle for individual liberty began in Europe the one interest that controlled the life of the mind was religion. What men wanted most of all was freedom to worship God in their own way, freedom to believe or disbelieve; and for that they went to death at the stake intoning their hymns of heresy. The religious wars were terrible. They lasted until the lust of fanaticism was sated. Then reason rebelled and there was peace, founded on the principle of *laissez faire* in religion. That is not what anyone called it at that time, because the words had not yet been invented; but that is what it was. Thereafter, so far as religion was concerned, the individual was to be let alone.

Great transactions of the human spirit have

momentum, displacement and direction, but no sharp edges; there is no sudden passage from one time to another. Long after the principle of *laissez faire* had been accepted in Europe, religious tyranny continued. Men were free to join any church they liked, but if they chose, for example, to be Calvinists, they found themselves enthralled again by a discipline that claimed jurisdiction not only over their souls but over their everyday life and all their economic behavior.

The next phase of the great European struggle for liberty, therefore, was aimed at freedom of enterprise. To say that religious radicalism was followed by economic radicalism is merely to make a statement of chronological fact. How were the two things related? Were they but two aspects of one thing? In the preface to “Religion and the Rise of Capitalism,” R. H. Tawney says:

“To attempt a reply to that question would expand a preface into a book. The materials for answering it are, however, abundant. If contemporary opinion on the point is not easily cited, the difficulty arises not from lack of evidence to reveal it but from the *embarras de richesse* which it offers for quotation. Its tenor is not doubtful. The truth is that the ascription to different confessions of distinctive economic attitudes was not exceptional in the seventeenth century; among writers who handled such topics it was almost common form. It occurs repeatedly in works of religious controversy. It occurs also in books, such as those of Temple, Petty and Defoe, and numerous pamphlets, by men whose primary interest was not religion but economic affairs. So far, in fact, from being, as has been suggested with disarming naiveté, the sinister concoction of a dark modern conspiracy, designed to confound Calvinism and capitalism, godly Geneva and industrious Manchester, in a common ruin, the existence of a connection between economic radicalism and religious radicalism was to those who saw both at first-hand something not far from a platitude. Until some reason is produced for rejecting their testimony, it had better be assumed that they knew what they were talking about. How precisely that connection should be conceived is, of course, a different question. It had, obviously, two sides. Religion influenced, to a degree which today is difficult to appreciate, men’s outlook on society. Economic and social changes acted powerfully on religion.”

But there was, in any case, this difference—that whereas religious radicalism scandalized only the ecclesiastical monopoly that was overthrown, economic radicalism scandalized even itself. This was so because the European mind was deeply religious

still. It had been easier to die for a heresy about the Sacrament than to get rid of a sense of guilt in profit. The universal habit of mind was biblical. People whose fathers and grandfathers had been tortured, burned at the stake and buried alive for the offense of reading Scripture for themselves might be expected, when they did read it, to construe it literally and in a grim manner. They did. Bunyan's "Pilgrim's Progress" was the authentic account of what happened to the righteous spirit in its passage through this world to the next. The poor were friends of God. They knew for sure they would not meet the rich man in the Kingdom of Heaven. Avarice was a deadly sin. Pursuit of gain was the way to damnation. Money changers, speculators and traders had always about them that certain odor that came from supping with Satan. To buy cheap and sell dear was extortion. Land was the only honorable form of wealth. Business was the ignoble part of the social anatomy.

BUT the world had something to say for itself, and the world, too, had something to believe. Somehow, for the first time in the history of human thought, the idea of progress had appeared. It was the Age of Discovery. Knowledge was increasing; and this was not revealed knowledge of things hereafter, but knowledge of things here and now. After all, since everybody had to pass through this world whether he liked it or not, why shouldn't man improve his environment if he could by the practical application of knowledge? Although no one understood them clearly, although there was no such word as economics, great economic changes were taking place, and the realities were uncontrollable.

The religious mind stood in a bad dilemma. It could sense the oncoming world, almost as if it had a premonition of the modern era, and yet it had no way of meeting it and was in fact forbidden by the Bible to meet it at all. Thus it became involved in extreme contradictions. For example, to lend money at interest was unchristian. For money to earn money was usury, and usury was sin. Yet as the necessities of trade increased, the economic function of the moneylender was one that somehow had to be performed, with the result that the Jews were brought in to do for Christians what Christians were morally unable to do for themselves. That is one of the reasons why the Jews became the great moneylenders of Europe.

The question was: Could Bunyan's hero Christian become an economic man and at the same time save his soul? The Dutch were the first to say positively yes, and this was significant, because the Dutch had paid more for religious liberty than any other people. They had carried their struggle for it to a

plane of appalling heroism. Sooner than yield they were willing to accept total doom. Their resistance so infuriated the Holy Office of the Inquisition that on February 16, 1568, *all the inhabitants of the Netherlands* were sentenced to death as heretics and Bible readers, except only a few persons especially named in the edict. In Motley's classic, "The Rise of the Dutch Republic," one may read that—

"Men in the highest positions were daily and hourly dragged to the stake. Alva, in a single line to Philip, coolly estimates the number of executions which were to take place immediately after the expiration of the Holy week at 800 heads. . . . To avoid the disturbance created in the streets by the frequent harrangues and exhortations addressed to the bystanders by the victims on their way to the scaffold a new gag was invented. The tongue of each prisoner was screwed into an iron ring and then seared with a hot iron. The swelling and inflammation which were the immediate result prevented the tongue from slipping through the ring and of course effectually precluded all possibility of speech."

If the spirit of *laissez faire* had been less than immortal it could never have passed through that valley of death. What emerged was the Dutch Republic, founded on the ashes of its martyrs, dedicated to liberty of conscience, holding aloft a light for the world.

Then an amazing thing happened. The prosperity of Holland became the wonder and envy of Europe. In the trade of the world it advanced to first place, and took what Tawney calls the roll of economic schoolmaster to seventeenth century Europe.

The power of individualism now for the first time was released to perform its examples. The result was that tolerance and trade flourished together.

THE English came to it slowly and roundabout. Calvinism as they had got it from Geneva was a severe and rigid doctrine. It perceived very clearly that the three aspects of man were spiritual, political and economic; but since in two of these aspects he was wicked, or much tempted to be, the church was obliged not only to mind his soul but to impose severe discipline upon his political and economic activities. Its regulation of business was medieval and precise; it made ethical and social laws to govern such matters as the use of capital, usury, the just price, profits, the profit motive itself, wages, labor relations, contracts and trade agreements.

It remained for the Puritans of England to make the great rational construction of this doctrine. They could not understand why God should not admire success in work. Was not the universe His work? Why not suppose that the plan of its just

order required His children to work and to succeed? If in money making there were spiritual hazards, then all the more reason for keeping it straight with God. The way to do that was to put God in the shop. Where else could one be so sure of His presence and blessing? In the Puritan doctrine the word "calling" was one of special meaning. "God doth call every man and woman to serve in some peculiar employment, both for their own and the common good." There was a spiritual calling and a temporal calling. The Christian's duty was to take part in the practical affairs of the world, and to succeed in the world could be only a sign that God witnessed his work and was pleased with it. If riches were added to him that, too, would be to the glory of God. In any case he would never be idle rich, like Dives. Whether riches were good or bad was a question to be settled between the rich man and God; but idleness, thriftlessness, and profligacy were positive evils.

So it was that in the Puritan creed religious liberty and economic freedom were reconciled. The church would let business alone and trust God in the shop to keep it from evil.

The next struggle was to get business free from the restrictions imposed upon it by government, not in the name of morals, but in the name of policy.

When that stormy cape had been rounded the victory of *laissez faire* was complete, and the way was open for that great outburst of European energy which brought on the Industrial Revolution, led by England.

For all its complications, the essential meaning of the triumph of Puritanism in England was a seizure of power. Political and economic power passed from the hands of the hereditary ruling class to the middle class. Tawney says:

"Puritanism was the schoolmaster of the English middle classes. It heightened their virtues, sanctified, without eradicating, their convenient vices, and gave them an inexpugnable assurance that, behind virtues and vices alike, stood the majestic and inexorable laws of an omnipotent Providence, without whose foreknowledge not a hammer could beat upon the forge, not a figure could be added to the ledger."

The medieval epoch was finished. Individualism was exalted to a way of life. The foundations of modern capitalism were laid. The powers of government were limited. Free enterprise began. In pursuit of his economic ends, on his way to transform the world, European man was released from the restraints and sanctions imposed upon him both by the ecclesiastical tyranny and a vast bureaucratic system of administrative law. Looking at it later when most of the consequences were already clear, Montesquieu, the French philosophical historian, said "the English had progressed furthest of all

people in three important things—piety, commerce and freedom."

That would have been about 1750. For more than 200 years the spirit of *laissez faire* had been acting irresistibly, and yet that name for it was not known. The words had been used by the Physiocrats in 1736 in France, but hardly anywhere else; nor were they familiar to anybody in England when sixty years later, in 1810, a Commission in the House of Commons said:

"No interference of the legislature with the freedom of trade and with the perfect liberty of each individual to dispose of his time or of his labor in the way or on the terms which he may judge most conducive to his own interest, can take place without violating general principles of the first importance to the prosperity and happiness of the community."

IN those words government, the British government at least, renounced the right to touch business at all. No more forthright statement of the doctrine of *laissez faire* has perhaps ever been written. Mark, however, that the words do not appear in that statement. They were of French origin, written at first *laissez nous faire*, meaning, "let us alone," and then *laissez faire*, meaning, "let it be." They expressed a philosophic idea. The idea was that the movements of society were spontaneous, not artificial, and that if you let them alone the results in the end, or, as the economist now says, in the long run, would be better for society as a whole—the idea, that is, of a natural order in which there is implicit harmony between public and private interest.

The point is that the spirit of *laissez faire* had already brought into the world religious liberty and freedom of enterprise, and that the foundations of what now may be called *laissez faire* capitalism had already been laid before the words were familiar or had any epithetical meaning.

Most people would probably say that the bible of *laissez faire* capitalism was written by Adam Smith. His "Wealth of Nations" appeared in 1776. Since some French economists had been using the term for forty years Adam Smith must have heard it, and yet in the index to "Wealth of Nations" (Cannan Edition) you will find no reference to it. Then people say, "Yes, but it is implicit," and ask you to remember the famous passage about the invisible hand. In the index to the "Wealth of Nations" there is a reference to that passage and it reads as follows:

"If each individual, therefore, endeavors as much as he can both to employ his capital in the support of

domestic industry and so to direct that industry that its products may be of the greatest of value; each individual necessarily labors to render the annual revenue of society as great as he can. He generally, indeed, neither intends to promote the public interest or knows how much he is promoting 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 not part of his intention. Nor is it always the worse for society that it was not part of it. By pursuing his own interest he frequently promotes that of society more effectually than when he really intends to promote it."

You may take that to express the doctrine of economic *laissez-faire*, but the true meaning goes far beyond economics and belongs to the philosophy of individualism, founded upon the faith that man's spontaneous works will be more than his reason can explain. Adam Smith did not invent that philosophy, nor in his exposition of it did he surpass others who wrote before him, notably Adam Ferguson, who said:

"Nations stumble upon establishments which are indeed the result of human action but not the result of human design."

Poetically, the same thought was expressed in Mandeville's *Fable of the Bees*. More than a century before Adam Smith's time, John Moore was saying in England:

"It is an undeniable maxim that everyone by the light of nature and reason will do that which makes for his greatest advantage. . . . The advancement of private persons will be the advantage of the public."

Twenty years after the "Wealth of Nations" appeared, Edmund Burke, another great exponent of individualism, was referring to:

" . . . the benign and wise disposer of all things who obliges men, whether they will or not, in pursuing their own selfish interests, to connect the general good with their own individual success."

He need not have got that from Adam Smith.

There is no bible of *laissez faire* capitalism. The "Wealth of Nations" is the finest description ever written of how men will behave in a free economy and what the consequences of that behavior will be, together with the axioms that necessarily follow. But *laissez faire* by that time was ascendant, its principles were known and its works were observable.

no capitalist ideology and never was. Communist ideology begins with the idea of a designed society, conceived by reason alone, directed by master minds, with nothing left either to God or the spontaneity of the human spirit. The philosophy of individualism, on the other hand, supposes that man's free and spontaneous activities create a natural design.

Capitalism was not designed. It came not from thinking but from doing. In the beginning and for a long time it had no more theory about itself than a tree; like a tree it grew, and its only laws were remembered experience. When the writers of political economy began to provide it with a theory they had first of all to study it to find out how it worked. Very few capitalists were ever economists, and it was not until a few years ago that professional economists had anything to do with business actually. They could only write about it, and from that writing about it came what Carlyle called the "dismal science," meaning the science of economics. Many capitalists were innocent of its existence. What could theorists tell them about what they were doing every day.

For this attitude of the capitalist toward economic science one may find an interesting analogy in the world of industry. The men who created the motor car industry were not scientists, nor would they have known in any case what a scientist was for. They were inventors and superb mechanics. They found out what gasoline would do by exploding it in tin cans and sometimes blowing themselves up with it; then they put it to work in the poppet-valve internal combustion engine. All the rest was mechanics. The American motor car industry was already the marvel of the world before the scientists touched it. Then it began to want to know *why* as well as *how*; and now it has the finest and best research laboratories in the world, where scientists explore the molecules of matter and the nature of gases and the behavior of materials under all conditions. The motor car, of course, has been greatly improved; but it could not have been created that way in the first place.

In the same manner it has happened only in our time that the professional economist has entered the premises of business. Now every important bank and every large corporation has its staff of economic advisers. Business, no doubt, is thereby improved, even ethically and socially, and certainly it has many new ideas about itself, but capitalism was already there and had been for a very long time.

Secondly, it is confusing to say—as the World Council of Churches does—that capitalism has "made promises which it could not redeem." It is true, of course, that certain promises are implicit in capitalism, but only for those who have the imagination to deduce them and the fortitude to pay the

IT is confusing to speak—as the World Council of Churches does—of the ideology of capitalism. In the sense that there is a Communist ideology there is

price for economic *laissez faire*. In the sense that communism and socialism have made promises, capitalism has never made any. Who could have made them? And with what authority? You might as well say that liberty has made promises.

CAPITALISM had neither a Marx nor a prophet. Adam Smith had no vision of things unseen nor any plan for a perfect society. He wrote of things that had happened and were happening, and of the probable consequences if these things instead of others continued to happen. His conviction that the good of society was best served by the utmost economic freedom for the individual, and his argument for it based upon a wealth of data and observations, became what we may call the classic doctrine of *laissez faire*.

But always the writers of political economy were divided on it. Those who defended it were called liberals, because liberalism at that time stood for the championship of both religious and economic liberty, and words meant what they said. Those who attacked *laissez faire* denounced liberal absolutism on social and ethical grounds and their argument became the doctrine of what now is socialism. The meaning of words has changed. The defenders of *laissez faire* now are called reactionaries; and the socialists who denounce it call themselves liberals; but no matter what has happened to the words, the line of division has never changed.

On one side are those who believe that control of the economic life by government is bad; when it is benign and may seem to be immediately beneficial, it is all the worse, for that makes people dependent and leads to the omnipotent state, which will tempt them to exchange liberty for security. These are the individualists and that word has not changed. They believe in a free economy, free markets, free prices, and in competition as the only trustworthy principle of regulation.

On the other side are those who uphold the doctrine of what now we call the welfare state, which means that the government shall plan and control the economy for the common good, limit the right of the individual to do what he likes with his property, and in extreme cases to abolish private property, all to the end that wealth shall be distributed according to a program of social justice.

It is a profound fact that these two fundamental positions are the same now as they were 150 years ago, although during this century and a half, with *laissez faire* capitalism ascendant, the economic environment in which we live has changed more than in any like period of time before since the beginning

of civilization. In its indictment of capitalism, the World Council of Churches repeats Sismondi, who at about the end of the eighteenth century led the attack on *laissez faire* and developed the doctrine of state socialism. The World Council of Churches does admit that the development of capitalism has not been alike in all countries and that the early exploitation of labor has been in a considerable measure corrected by "the influence of trade unions, social legislation and responsible management," but from there goes on to say:

- "But (1) Capitalism tends to subordinate what should be the primary task of any economy—the meeting of human needs to the economic advantages of those who have most power over the institutions.
- "(2) It tends to produce serious inequalities.
- "(3) It has developed a practical form of materialism in Western nations in spite of their Christian background, for it has placed the greatest emphasis upon success in money making.
- "(4) It has also kept the people of capitalist countries subject to a kind of fate which has taken the form of such social catastrophes as mass unemployment."

Nearly 150 years ago Sismondi and his friends, evaluating the theory of state socialism, were attacking *laissez faire* on the same four points, namely:

- (1) That the fancied harmony between private and public interest did not in fact exist, wherefore liberty of the individual to pursue his own economic advantage would leave *human needs* in the lurch;
- (2) That it would lead to *serious inequalities* in the distribution of wealth;
- (3) That it elevated *materialism* and *success*, and;
- (4) That it involved society in such *social catastrophes* as *mass unemployment*.

And all of this was before steamships, railroads, electricity, gasoline, motor cars, automatic machines, or mass production—even before there was such a thing in the world as a piece of farm machinery.

AT that time all economic and political thought in Europe was basically pessimistic. Nobody could imagine that in the next few generations, under *laissez faire* capitalism, consumable wealth would be so prodigiously multiplied that the luxuries of the rich in one generation would become the necessary satisfactions of the poor in the next, and that from time to time surplus—a strange word for an incredible thing—would be the superficial cause of economic depression and unemployment. There had never been surplus before. There had never

been too much of anything. Poverty was thought to be permanent and irreducible.

The idea that poverty could be abolished did not arise in Europe. That was an American idea. And it could arise here, not because this country was rich in natural resources, but because here the conditions of *laissez faire* capitalism were more nearly realized than anywhere else in the world. Under stress of unlimited and uncontrolled competition we made the discovery that broke Europe's "iron law of wages"—the law, namely, that since wages were paid out of the profits of capital, the wage fund was limited by the capital fund, and the capital fund was something that could be increased only in a slow and painful manner by limiting consumption.

We discovered that wages were not paid out of profits. They were paid out of production. Therefore, wages and profits could rise together, if only you increased production. Moreover, production itself created capital, as in the Ford example—the example of a company that began with \$28,000 in cash and at the end of forty-five years employed in its work \$1 billion of capital, all its own and all created out of production. And this was done by making the motor car so cheap that almost nobody was too poor to be able to possess and enjoy it.

After this discovery that wages were paid out of production, came mass production, and with mass production came the further discovery that the indispensable unit in the scheme of a free competitive economy was the consumer, for if people as consumers could not increasingly buy the products of their own labor the whole scheme would fail.

THOSE who speak of capitalism as if it were in itself a kind of universal order, with hierarchy, creed and orthodoxy, are either unable to make distinctions or find that distinctions inconvenience their argument. Capitalism takes its character from the soil and climate in which it grows. American capitalism is so unlike European capitalism that the two could hardly be transplanted. Why has American capitalism been so much more productive than capitalism anywhere else? The seed was European. The sapling was not. Why did this one tree grow to a size and a fruitfulness so prodigious that all the people of the world come begging for its windfall? There was here neither skill nor knowledge not possessed also by the people in Europe. Yet after five generations, with less than one tenth of the earth's land area and less than one fifteenth of its total population, we have now in our hands one half of the industrial power of the whole world. Europe's star did not fall. That is not what happened. The American star dimmed it out. What

made that difference between our creative power and that of Europe?

The difference was that here the magic of liberty was acting as it never had acted anywhere before.

Until the American Declaration of Independence, said Lord Acton, the history of freedom would have been "a history of the thing that was not"; liberty came forth from Pennsylvania.

American capitalism not only has been the most successful in the world; it is the one great citadel of economic freedom surviving and now carries the burden of defending Christian civilization against its Eastern enemy. From this it follows that when you compare capitalism with communism the comparison is in fact between American capitalism, with its Puritan tradition, and Russian communism, which is uncompromisingly materialistic and atheistic. It is all the more astonishing, therefore, that the World Council of Churches finds the aspirations of communism the more attractive. And going even further than that, it blames capitalism for the rise of communism, saying:

"Christians should ask why communism in its modern totalitarian form makes so strong an appeal to great masses of people in many parts of the world. They should recognize the work of God in the revolt of multitudes against injustice that gives communism much of its strength.

"Christians should realize that for many, especially for many young men and women, communism seems to stand for a vision of human equality and universal brotherhood for which they were prepared by Christian influences. Christians who are beneficiaries of capitalism should try to see the world as it appears to many who know themselves excluded from its privileges and who see in communism a means of deliverance from poverty and insecurity.

"Communist ideology puts the emphasis upon economic justice and promises that freedom will come automatically after the completion of the revolution. Capitalism puts the emphasis upon freedom and promises that justice will follow as a by-product of free enterprise. That too is an ideology which has been proved false."

IF one must "reject the ideologies of both communism and capitalism" on the ground that they have disappointed the spirit of man it would seem only fair to say *alas!* to that—no system on earth having yet failed to disappoint the spirit of man—and then go on to compare their works. Are works nothing? Which has done more to advance the material well-being of people, capitalism or communism? Capitalism has a record. Capitalism abolished famine in the world for the first time in the history of the human race. Russian communism

brought it back. Capitalism created conditions under which slavery became uneconomic and, for that reason, if for no other, slavery was abolished. Communism brings it back. Under capitalism organized labor received political power. Has labor any political power in Russia? American capitalism has had economic reverses, called depressions. In the last and worst depression here the unemployed were better fed, better housed and better clothed than the fully employed in Russia.

Concerning the works of capitalism, the World Council of Churches says only that—

“On the other hand, technical developments have relieved men and women of much drudgery and poverty and are still capable of doing more. There is a limit to what they can do in this direction. Large parts of the world, however, are far from that limit. Justice demands that the inhabitants of Asia and Africa, for instance, should have the benefits of more machine production. They may learn to avoid the mechanization of life and the other dangers of an unbalanced economy which impair the social health of the older industrial peoples.”

Not to argue the meaning of the word *justice*, let it be supposed that justice demands more machines for the inhabitants of Asia and Africa. Justice may demand them but who will provide them? To whom would the inhabitants of Asia and Africa look for machines? To the Communists, who, says the World Council of Churches, put first emphasis on justice, or to the capitalist country which it says puts emphasis on freedom?

And as for what justice means in the common mind of the word, imagine what would happen if there should go forth by radio to all the corners of the earth a message like this: “By miraculous dispensation people everywhere who want political justice and economic opportunity are now free to choose their country.” Whose gates would be overwhelmed—those of communist Russia or those of capitalist America?

The World Council of Churches says:

“Two chief factors contribute to the crisis of our age. One of these is the vast concentrations of power—

which are under capitalism mainly economic and under communism both economic and political.”

Concentration of power, wherein it is evil, is a very old evil, peculiar to no political or social system that was ever devised. But if you can choose, which will you have—concentration of power that is economic only or concentration of power that is both economic and political?

It will be the task of the Christian church, says the World Council of Churches, “to draw men away from the false assumption that capitalism and communism are the only alternatives.”

What else there may be it does not say. It is evident, however, from the text—and in fact it was asserted by the British delegates—that what the authors of the report of the World Council of Churches had in mind was the social revolution in England, where *laissez faire* has been buried with remorseful hymns to liberty. The idea is that in something called democratic socialism there is a workable compromise between American free enterprise and the bondage that is called communism in Russia.

Of this British compromise, Mr. Herbert Morrison, who was one of its architects, has said: “We may find in planning—in fact we already have—that the cost of liberty will be the sacrifice of certain personal freedoms.”

How does one buy liberty with freedom? That is not explained. “Freedom,” says Crabb, with fine distinction, “is personal and private. Liberty is public. A slave obtains his freedom. A captive obtains his liberty.”

Moreover, even this liberty which the British would buy with personal freedom would have fallen by this time, or have gone utterly bankrupt, but for the aid it had no right to expect from a country that owes its power and wealth to *laissez faire* capitalism.

The two ancient enemies of *laissez faire* were the state and the church. *Laissez faire* represented the principle of radicalism in both religion and economics. Radicalism was the sword of liberty. Neither the state nor the church has ever loved liberty. Now what was conservative is radical, and *laissez faire*, which was radical, is reactionary. The wheel has gone all the way around.

Those who expect to reap the blessings of freedom must undergo the fatigues of supporting it.—*Thomas Paine*.

Perils of the Military Strain

If It Continues or Increases Can a Free Economy Survive?

By Edwin G. Nourse

Chairman of the President's Council of Economic Advisers

From an address before the National Military Establishment
Joint Orientation Conference, November 10, 1948

UNTIL recently at least, the economist who strayed into a preparedness conference of the military defense establishment was likely to find himself about as popular as the well-known skunk at the bishop's garden party. Quite properly, members of the military profession are technicians in the science of defense. Their major premise is that the economy and the social structure, hardly less than the political state, are lost if the system of military security should fail. Like the engineer, they feel the need to include a substantial margin for safety in their calculations but, unlike the engineer, they have no means of knowing in advance the loads or strains that will have to be dealt with.

The economist, on the other hand, thinks first of resources. His problem is to consider how scarce and limited resources may be most efficiently administered to gain the ends in view. But this problem now is common ground on which the military man and the economist must meet and work together. It is the problem of balance between the military striking force and the civilian reservoir of men, morale, and machinery upon which the actual fighting force must depend in this day of industrialized war. It is the question of economic *supply* and military *demand*. . . .

WHEN President Truman presented his defense message to the Congress last March, we had had two years and a half of vigorous postwar reconversion. During this period we were still feeling the tremendous economic momentum of the war influence, with its creation of superabundant monetary purchasing power and its accumulation of enormous unsatisfied wants, public and private, from highways, dams, generating plants, factory equipment, and operating inventories to houses, passenger cars, electric toasters, and bed linen. What we were witnessing in the market was an inability of end products to satisfy simultaneous demands of the market for capital goods, current

consumption goods, and exports on the level that unprecedented savings, high current earnings, and foreign demand made possible. Hence we were being swept along in the grip of a strongly inflationary current, inadequately stemmed either by government policies or by private self-restraint.

At this point, I may perhaps be permitted a modest reference to the Employment Act of 1946 and the dual implementation which it provided through the Council of Economic Advisers and the Joint Committee in the Congress. The declaration of national policy made in this act was for such wise use of free competitive enterprise and such prudent discharge of public functions by government as would prevent a return to the baffled waste of productive resources of the 30's and, on the other hand, transmute the momentum of the war and reconversion period into a long-sustained period of high-level peacetime production and the broadly rising standards of living that would go with vigorous and efficient use of our rich resources.

This was a large order, but I for one have never felt that it is beyond the powers of a people possessed of as much ingenuity as ours, with such highly developed institutions of public information and discussion, and with the degree of economic literacy that we have attained.

IF the nations of the world had been willing to disarm and devote themselves to restoring and subsequently expanding domestic production and enlarging the flow of mutually profitable trade, the years 1947 and 1948 would have at least gone far toward completing the process of physical reconversion and catching up with activities and rates of growth interrupted by the war and the preceding depression. As was stated in several successive Economic Reports to the President and to the Congress, the practical problem would have been to adjust the several relationships of prices, wages, savings, taxes, and investment one to another so that the great flood of products resulting from high employment

with efficient equipment and direction would move promptly into use.

This would have to be worked out through the competition of the market, the policy decisions of executives, the rulings of regulatory bodies, and the process of collective wage bargaining, together with the financial operation of bankers and the Federal Reserve and the economic program of the government. All together these economic adjustment processes would have to work out a new and internally consistent set of money relationships which would realistically reflect major changes in industrial techniques and plant capacities, in tastes and habits of consumption, and in government commitments, all this in the face of tenacious patterns of economic behavior. To quote from two sentences in the Economic Report of July, 1947: "At present we are in the process of seeking to find a workable pattern of income and price relationships on a new price level but with continuing high production and employment. It is generally conceded that this new price level will be higher than prewar." Probably this should have read "substantially higher."

If prospects for peace had improved, or even not grown worse, throughout 1947 and 1948, our ability to adjust our economy to the requirements of sustained peacetime prosperity would progressively have been put to the test in one industry after another as each passed from a condition of scarcity to one of abundance, from a sellers' market to a buyers' market—or true competitive enterprise.

If the practitioners of communism had not thrust us back into the danger of war, we would soon have been thrust forward into the difficulties of peace.

The level of defense expenditures for which the President and the Congress made provision last spring tended to avoid or defer these difficulties. They are still further limited by the very widespread expectation in business circles that that level will be raised. If the scale of military expenditure does in fact increase substantially, they may be postponed indefinitely, and the country confronted by quite another kind of problem.

THIS brings me to the second part of the question of economic *supply* and military *demand*, that of prospective enlargement of military expenditures. How will this question look to the President and to the 81st Congress in discharging their responsibility for providing an adequate defense program? Both the Congress and the public will need to understand the economic implications of a defense budget \$2 billion or \$5 billion or possibly even \$10 billion above the level presently provided.

Superficially it may seem plausible to say that a \$2 billion or \$5 billion item cannot seriously disturb an economy in which total production amounts to

\$250 billion annually. But it is equally important to remember that to the economist, no less than to the physicist, the chemist, and the physician, there are "critical points" where relatively small changes of actual magnitude have decisive influence. Hence we must look not merely at aggregate sums but at strategic spots in the delicate process of economic life which would be affected by the monetary disbursements and the monetary withdrawals.

You are well aware that the country's productive resources are now being used at peak levels. You realize too that already a substantial portion of our productive resources are being used for military and foreign aid purposes—approaching 10% of national product. These users do not give rise to the production of domestic consumer goods or capital goods. Inflationary forces, though checked at various points, have by no means disappeared.

Even if the defense program were limited to \$15 billion, the expenditure of that amount would exceed by at least 3 billions the present annual rate of cash outlays for national defense. If to this are added further increases, to a level of 18 or 20 billions, there are bound to be important repercussions on the operation of the economy.

The specific effects on our business world that can reasonably be foreseen in 1949 and 1950-plus can conveniently be discussed under four heads: inflation, labor diversion, materials shortage, and controls. Within the short time available, I must state my conclusions on these points quite dogmatically without much supporting data or analysis.

THERE appears to have been increasing agreement during the last few months among professional economists and experienced business leaders that, in the absence of the foreign aid and enlarged defense programs, deflationary influences would by this time have become clearly evident. As current expenditures have developed under these programs and, as expectations for the future have become more clear, inflationary forces have tended to outrun deflationary developments, and the trend of both wholesale and consumer prices is still rather steadily upward. If against this background we project a substantially larger scale of military expenditures for rearming ourselves and perhaps western Europe and some other countries, it is clear that new forces of inflation would be unleashed. They would operate through monetary mechanisms, technological situations, market processes, and psychologic reactions. To some extent, the inflationary impact would be moderate or strong according to the amount of outlay. But to some extent also, they might prove erratic or disproportionate to the financial sums actually involved. We must face the possibility that if the trend toward inflation became generally discernible at the present

juncture, it might develop a strongly marked cumulative or spiralling force unless strong anti-inflationary policies were promptly declared by the government. There would also be needed a strong will on the part of influential business leaders and economic groups to resist inflationary temptations.

A major physical problem of the increased defense program is to get production resources transferred from civilian to military uses. The related economic problem lies in devising financial methods by which this transfer can be effected and still avoid the potential inflation.

To some extent higher prices and higher wages would increase the government's tax revenues, but they would also raise military procurement costs, probably necessitate further advance in military pay and allowances and a compensating reclassification of the Civil Service. It seems doubtful that, as a practical matter, offsetting economies in government expenditures could be worked out in the face of the demand for additional civilian services ancillary to the war effort. We must remember that public works, at least in such areas as transportation and electric power, would have to be materially enlarged.

At present tax levels, government revenues would be insufficient to finance any large increased cost. Resort to deficit financing through bank borrowing would at once enlarge the stream of money demand and start an upward movement of prices. Rising prices would not only push up the cost of living, giving rise to demands for higher wages. It would also create a speculative interest in markets which would be well designed to force prices upward.

An inflationary spiral initiated and re-enforced in this manner is by no means unavoidable. To prevent it, however, the program must be financed by drawing the cost out of the pockets of the people. It must, in other words, be financed out of higher taxes and larger savings, voluntary or involuntary. And, even so, it may call for other types of control to meet the physical problems to be noted.

PASSING from the monetary to the physical implications of an enlarging military program, we need to distinguish between over-all demands and particular points of impact. The military efforts that we are talking about are estimated to divert somewhere from 1 million to 2 or 2½ million workers from the civilian labor force. Out of a total of some 62½ million workers, this is not a crippling drain. We anticipate a rather abnormally large increase in the labor force of a million or even a million and a quarter next year as against an annual gain of some 700,000 in recent years. The point, however, is that the withdrawals for military service would be persons of more than average physical

and mental capacity. Even with the most skilful procedure in granting exemptions, they would withdraw appreciable numbers from areas where scarcities (particularly of skilled workers) already exist. At the same time, the character of the equipment and materials required in the military effort would increase the pressure of demand on areas of manufacturing and mining, where even now there is real shortage of skilled personnel.

Much the same can be said as to the demand which an expanded military effort will make upon our supply of materials and equipment for producing finished goods. Unlike the expansion of our military program at the beginning of World War II, we must now start our effort from a level of very high utilization of our productive resources. Today there are bottlenecks in steel and nonferrous metals, in coking coal and petroleum, ore-carrying boats and pipe-line capacity, and at numerous other minor spots. The progress of military stockpiling of strategic and essential materials is being slowed down by such shortages. While there is some present easing in various food, clothing, and nondurable goods industries, the chief impact of a rearmament program would be at the very points where we are still far from being caught up. In general, military demands could not be met by the stimulated use of reserve resources but would have to be at the expense of withdrawals from other claimants whose wants have not yet been satisfied.

A PROGRAM of military expenditures at any level much above the present would, in my judgment, force us out of the free market procedures of a peacetime economy and drive us to the acceptance of a number of direct controls. Otherwise, the strength of the inflationary pressures, the confusion and delay in the defense effort, and the friction and hardship in the civilian economy would create demoralizing conditions both in market processes and in the public mind.

The central and certainly the first feature of a system of controls to facilitate military production would be the allocation of key materials, re-enforced by limitation and conservation orders and inventory controls. Even at the present time, some need for allocation controls is recognized. So far, only voluntary methods are available, and even in the limited field where they have been tried, they have not been conspicuously successful. It is easy to see that a mounting program of defense would soon call for more authoritative methods of broader scope.

Second, there would undoubtedly be early need of considerable placement control for scarce types of skilled labor and a more extensive employment service. Finally, to prevent the spiralling of living costs, wages, and production costs, price control of

a quite extensive scope might well be necessary, unless severe fiscal measures were invoked to curtail civilian demand.

Over against this view as to the need of controls in an increasingly inflationary situation, it is clear that businessmen, workers, and farmers have a basic aversion to limitations on a free enterprise system in the areas where they are respectively affected. Mr. Grether yesterday indicated to you that at M-Day, the full panoply of wartime controls far beyond those of World War II would have to be invoked. How far lesser or partial controls would be accepted in the twilight zone between the present state of preparedness and actual mobilization is anybody's guess, but certainly an issue which will be fought out in the next few months and must be considered in parallel with a decision on the scale of military expenditures in the immediately coming months. It is not clear that a control program could be introduced piecemeal, but it is possible that even business leaders who would have to bear the brunt of responsibility for delivering the goods specified in a military expenditures program only a few billion dollars above the present level would find at least materials controls necessary to keep their operational program from bogging down.

The issues of economic control cannot be divorced from other policies of the government. A very severe fiscal policy of taxation, and possibly forced saving, would minimize the need for price control. It would also to a degree lessen the problem of allocation by driving civilian demand out of the market. The extent of the need for direct controls is therefore in part directly related to the extent to which the government permits inflationary pressures to develop.

SO much for my suggested answers to the question of the specific effects that a continued and rising scale of military expenditures would have on our economic life in the near term. It is clear that this would not mean the onset of economic disaster. For the next few years it would guarantee maximum production of some sort of goods and services. But it certainly would not provide the maximum standard of living that our men, money, and management are capable of producing. It would indefinitely postpone the time when we can organize our economic life for the production of maximum real purchasing power for our people—and that was the purpose for which the Employment Act of 1946 was designed and which we had thought we could really get down to business on in these postwar years.

This clear economic implication of rising military expenditures raises a much more fundamental question. Would such a development simply defer the attainment of peacetime economic objectives, or will it make them more difficult of attainment over

an indefinitely long future period? There are several respects in which the latter appears definitely to be the case.

This diversion of national resources to war goods rather than peace goods would bring a new threat to the educational interests of this country. Few people appear to realize how great was the accumulation of deferred maintenance in our total school system during the war and the further deterioration both plant and personnel have suffered during the postwar inflation. Much the same can be said as to streets and highways and other types of public facilities. This type of problem is further aggravated by the fact that the accelerated rate of family formation in the war and early postwar years has brought more than normally increased demand on community facilities and is just beginning to bring larger numbers of infants to the schoolhouse door.

A second type of persistent harm to the economy is that a military effort results in building expensive kinds of equipment—and to some extent plant—highly specialized to the uses of war engineering which have no use in civilian production or which are in excess of peacetime needs. This sort of economic distortion is aggravated to the extent that the military effort results in accelerated drain on natural resources which are already scarce and for which no equally good or equally cheap substitutes are available.

The third danger of economic scar after the period of actual military effort could be the further distortion of price and income relationships that would result from a further and perhaps more extreme phase of inflation.

Finally, the return to controls and their continuance for some years would present a two-pronged danger. As a free people, we are always fearful that economic controls may prove habit-forming and develop a spirit of acceptance of authority over larger and larger areas of life and weaken the reliance of the people on free bargaining. If that danger is avoided, there is the opposite danger that in avoiding it, we develop evasion or defiance of constituted authority, black markets, and a lowering of the moral fiber of our people. In any event, by giving legal sanction to certain structures, procedures, and property rights for a period of years, controls build up greater or less vested interests on the part of beneficiaries who have been hurt by them to secure some offsetting benefit. Either way it complicates the return to smooth operation of the economy.

What I have been saying involves no judgment as to what is the scale of military expenditures the country could wisely and safely undertake at this time. It is simply an attempt to look frankly at the actual costs, present and future, of a military effort of stated magnitude.

Human Rights on Pink Paper

"A proposal for world-wide socialism to be imposed through the United Nations."

By Frank E. Holman

President of the American Bar Association

BY Article 62, Paragraph 2, of the Charter of the United Nations, the Economic and Social Council of that body is empowered, but not required, to:

"Make recommendations for the purpose of promoting respect for, and observance of, human rights and fundamental freedoms for all."

In accordance with this power to recommend, a Commission on Human Rights, as a subdivision of

SINCE Mr. Holman delivered this address before the State Bar of California on September 17 last, the document that was first called *International Declaration of Human Rights* and now is named *Universal Declaration of Human Rights*, has been revised by the *Human Rights Commission of the United Nations*, in what Mrs. Eleanor Roosevelt, the chairman, reporting from Paris, has described as a series of hectic sessions. One delegate proposed an amendment to say:

"Everyone has the right to rest and leisure."

Another delegate whimsically proposed:

"Everyone shall have the right to eternal rest and this right shall be guaranteed by the state."

The revised draft of the *Universal Declaration of Human Rights* was finished on December 1. It had still to go to a sanding and polishing commission, from there to a third committee to be inspected for spots, and lastly to a language committee, before arriving at the General Assembly. It was adopted by the General Assembly on December 10 by a vote 48 to 0, the Soviet bloc, Saudi Arabia and the Union of South Africa not voting.

Besides the Declaration there is a Covenant, which, so far as anybody knows, has not been revised. The text of the Covenant was published in the *United Nations Bulletin* in January, 1948. When Mr. Holman says the right to own property was left out, he is talking about the Covenant, not the Declaration. It gets complicated. The confusion, where it is not engineered, is probably inevitable in the nature of the undertaking. However that may be, Mr. Holman is here addressing himself to the main intention and to the American principles that are dangerously involved, and none of this will be changed by any fretwork upon the text of either the Declaration or the Covenant.—Editor.

the Economic and Social Council, promulgated at Geneva on December 27, 1947, an *International Covenant on Human Rights* and an *International Declaration on Human Rights*—the *Covenant* when ratified by the member nations to have the force and effect of law as to the nations adhering to it and ultimately to be implemented by an *International instrumentality of enforcement*; the *Declaration* not to be a part of *International Law* as such, but a consensus by the member nations of the political, social and economic rights to be accorded human beings throughout the world. The drafts of the *Covenant* and of the *Declaration* were submitted to the member nations, and a deadline of April 3, 1948, fixed for comments and suggested changes or revisions.

Although, as indicated, it is not intended that the Declaration be legally binding, it is nevertheless to be a guide for the conduct of member states and their citizens, and it has been asserted by some authorities (including Mrs. Roosevelt) that though the Declaration is not technically to be *legally binding*, it is to be treated as an "authoritative interpretation" of what is meant by the Charter provisions of the United Nations.

In May and June, after some suggested changes by certain, but not all, member nations, the United Nations' Commission on Human Rights went ahead with its work by drafting a revised Declaration, which revised Declaration was published in the *United Nations Bulletin* of July 1, 1948. Further consideration of the Covenant for the time being has been postponed. When the Economic and Social Council has approved the revised Declaration it will go to the General Assembly. When approved by the General Assembly it will be submitted to the member nations for adoption. [*It has been approved by the General Assembly—Ed.*]

The Tablet Makers

It is revealing to note the "make-up" or personnel of the Commission before examining the results of its work.

Mrs. Eleanor Roosevelt is its Chairman and the sole United States representative. She is not a per-

son in any sense trained in legal draftsmanship. She is primarily a social reformer.

Australia's representative is Col. William Roy Hodgson—by training a military man and from his biography a person whose experience has been confined to government service.

The United Kingdom's representative is Mr. Charles Dukes—a person with no legal training and, so far as his biography shows, no familiarity with legal draftsmanship, a trade unionist by profession.

These three are the only Anglo-Americans or representatives of English-speaking peoples on the Commission of eighteen members.

As to the other fifteen members of the Commission, they were as follows:

BELGIUM	M. Fernand Dehousse
BYELORUSSIAN SOVIET SOCIALIST REPUBLIC	Mr. Afanasi S. Stepanenko
CHILE	H. E. Hernan Santa Cruz
CHINA	Dr. P. C. Chang
EGYPT	Mr. Omar Loutfi
FRANCE	Professor Rene Gassin
INDIA	Mrs. Hansa Mehta
IRAN	Mr. Abol Ghassem Pourevaly
LEBANON	Dr. Charles Malik
PANAMA	Mr. Ricardo J. Alfaro
PHILIPPINE REPUBLIC	The Hon. Carlos P. Romulo
UKRAINIAN SOVIET SOCIALIST REPUBLIC	Mr. Michael Klekovkin
UNION OF SOVIET SOCIALIST REPUBLICS	Mr. Alexander E. Bogomolov
URUGUAY	Dr. Don Jose A. Mora
YUGOSLAVIA	Mr. Vladislav Ribnikar

Through absences, or otherwise, certain of the above named countries have occasionally been represented by alternates or substitute delegates.

American Indifference

It is this Commission which has undertaken to draft a "Bill of Rights" for the people of the United States, which, so far as the Covenant is concerned, is to be ratified as a treaty and then under our Constitution it will become the supreme law of the land and in due course be implemented against all of us by decrees of a new International Court of Human Relations.

In spite of this extraordinary and revolutionary character of the program the press and the public and even the Bar seem largely oblivious to the project and how far in certain particulars it is at variance with our fundamental concept of individual rights and freedoms and how far in other particulars it is a proposal for world-wide socialism to be imposed through the United Nations on the United States and on every other member nation.

No doubt the members of the Commission are individually sincere and high-minded, but their biographies show they have mostly lived by and

through government jobs in their own or other countries and hence they cannot be expected to give first importance to a right like that in our own Bill of Rights of owning private property and of conducting business under a free enterprise system. None among them can be expected, as against the three Communist Russian members, to fight for a provision in the Covenant guaranteeing the right to private ownership of property and hence there is no such provision in the Covenant.

The whole purpose of the United Nations organization is to achieve peace—that is to avoid war, and chiefly another world war. Though many social and economic reformers will disagree I do not believe that either of the world wars were caused by the absence of an International Bill of Rights or primarily by subnormal or abnormal social and economic conditions in any country. Or that a third world war would be prevented by the adoption now of a Covenant and a Declaration on Human Rights.

While there is not time here to demonstrate the accuracy of this statement it may be pointed out that at the time Germany launched World War I and again when she launched World War II, she had the most advanced social and economic program of any nation in the world, with a universal social security system that reached practically all the citizenry and a condition of practically full employment of her people. Considerations which led Germany to instigate a war as an instrument of national policy were not the result of her people on either occasion being ill housed, ill fed or ill clothed; and even on the political side, the existence of an International Bill of Rights would not have affected the decisions of the German people. You will notice that I say the "German people" and not the "German leaders," for I think it can be demonstrated that a majority of the German people were as enthusiastic over the idea of war as were the German leaders.

The Great Intention

Therefore, in my opinion we are not dealing with a proposal in this matter of a so-called International Bill of Rights that will assuredly contribute to world peace. We are dealing chiefly with a missionary spirit on the part of social and economic reformers to establish throughout the world their social and economic ideas. In the process I believe we are risking, definitely risking through United Nations' intervention in the domestic affairs of nations, so many new international irritations and provocations that we have reasonable cause "to stop, look and listen" and to consider whether at this particular time there should be any attempt to force a so-

called International Bill of Rights program along the lines of the Covenant and the Declaration.

Before proceeding to a detailed examination of the Covenant and the Declaration and the Revised Declaration, I want to make a few general observations on the nature of the United Nations and the nature of a "Bill of Rights."

The United Nations is an organization of sovereign states pledged to international cooperation. While there are statements in its Charter which refer to the "realization of human rights and fundamental freedoms for all," the fact remains that it is an organization of *states* and that it operates on an international level with government meeting government. A bill of rights, on the other hand, has nothing to do directly with the relations between governments; it exists primarily to define the relations between a government or state and the individual citizens thereof; basically it relates to internal affairs and not to international matters.

Some of the Consequences

In order to enforce the provisions of a bill of rights, the United Nations will have to interfere continually and minutely in the internal affairs of member nations. It will have to establish standards, and determine when and where those standards have been violated, and to take steps to correct or punish such violations.

No basic standard or system of human rights can be successfully imposed upon any nation by any other nation or group of nations or by any other outside source. Where such standards exist in the world today, they have developed as a natural expression of the overwhelming weight of opinion of the local population. They have come from the people and not from the state. Having thus before us this historical background of the experience of individual nations, it appears to be clear that to attempt to confer such rights by action of an international body will be pregnant not with world order but with disorder.

Many sincere sponsors in the United States of an international bill of human rights contemplate only the application of American standards to foreign nations. Yet it is the reverse which will likely be true. The United States is but one nation among many, and it is inevitable that foreign standards of interpretation of these rights will be applicable to the American people; obviously the rules will be enforceable against the United States as well as against other nations.

Our Bill of Rights, as construed and applied for more than a century and a half, represents our peculiar concepts of justice and propriety. I sympathize with the desire to extend the benefits of our

Bill of Rights to other peoples; yet I am of the opinion that the reverse is not true and that the people of this country will emphatically not be willing to put our system to the hazard of subjecting it to the interpretation of any international organization presently existing.

It would appear that the action of the Commission in dividing its recommendations on human rights into a Covenant and a Declaration, and having two separate documents, was not only a feat of diplomacy but also something in the nature of salesmanship. To have included in the Covenant the venturesome social and economic provisions of the Declaration would have defeated all chance of any nation like the United States subscribing to it; but failure to have made some pronouncement of these broad social and economic declarations would not have satisfied the views of the Socialist and Communist governments. It is apparent that it was not only a compromise of views in connection with the issuance of two separate documents; an examination of the Covenant shows that it is not a "Bill of Rights" as understood by the American people. The Covenant itself, in many of its affirmative provisions and by reason of its omissions and nebulous language, is also a compromise.

THE COVENANT

THE basic theory and language of a Bill of Rights as heretofore recognized by Americans is to impose a restraint upon government from denying to the citizens certain basic rights, and hence the provisions in our own Bill of Rights are nearly all couched in the negative; for example, "Congress shall make no law," etc.; "The right of the people to keep and bear arms shall not be infringed"; "No soldier shall in time of peace be quartered," etc.

In the Covenant a general affirmative duty is first placed upon every state to insure certain so-called rights and freedoms (Article 2); then follow certain more or less specific restraints upon the member states. Later, as in Articles 16, 17, 18, and 19, affirmative pronouncements of rights again appear. The difference between the affirmative and negative approach is that affirmations in broad general terms are not only more susceptible to a loose and expanding interpretation than specific negative restraints, but there is also a difference in the problem of enforcement in that to compel action is always more delicate and difficult than to restrain action.

The Department of State issued a brochure entitled "An International Bill of Human Rights." The name "Bill of Rights" introduced into this title would seem to be a word of salesmanship. The American public has for several generations be-

lieved in the virtue of a "*Bill of Rights*." It is a misnomer to call even the Covenant a "*Bill of Rights*" for, as the brochure itself points out, the Covenant does not pretend to include or protect many rights that our own Bill of Rights secures, namely, "such elementary rights as ownership of property and free participation in government."

Private Property Left Out

One of the most fundamental rights protected by our American form of government, that of private ownership of property, has been omitted. The State Department says the reason for this is "that the beginning must be relatively modest"; that nations will not be willing to enter into a Covenant which contains rights whose definitions vary considerably in different countries. This is a rather inadequate, but revealing "explanation."

The true explanation doubtless is that many of the member states do not believe in the private ownership of property, but under our concept of freedom, no man can be truly free who lacks the right to own property and to participate in government, neither of which rights are included in the Covenant. Perhaps in this connection one might properly quote from a speech of Senator Borah, who was himself classed not as a conservative but as a liberal:

"And what are these property rights which are guaranteed and made safe by the Constitution? What an inseparable part are they of human rights? Is not the right to acquire, own and enjoy property a part of human rights? Is there any such thing as personal liberty without it? There is a very large portion of the human family at this time who will tell you that liberty, family happiness and contentment were all lost in the self-same hour that they lost the right to acquire property and to be secure in its enjoyment. The framers were wise enough to know and brave enough to declare that when you have made property rights secure, you have contributed incalculably to human rights and to human liberty."

Yet our State Department, in excusing the omission from the Covenant of the right to own property, says that the beginning with respect to an International Bill of Rights must be "relatively modest."

It is also said by the State Department that the proposal for implementation of the Covenant through an International Court on Human Relations, not having been included in the present Covenant, is not now a matter for consideration; but an examination of Article 2 makes one wonder whether, if ratified by the United States, we may not be committing ourselves, morally if not legally, to the creation of some such Court, for it is provided in subparagraphs (c) and (d) that "any person

whose rights or freedoms are violated shall have an effective remedy, notwithstanding that the violation has been committed by persons acting in an official capacity"; and that "such remedies shall be enforceable by a judiciary whose independence is secured."

Even without this direct reference and commitment regarding a new independent judiciary for enforcement, there would be considerable danger in this country from first adopting the Covenant and then waiting to see how the other nations proposed to have it implemented for enforcement. Subparagraph (e) implies that the police and executive officers of the United States and each member nation would have to act as the enforcement officers of such an International Court.

The broad language of Article 2 is far reaching and indicates that it may be an opening wedge for all sorts of future enlargements both of substantive and procedural rights. For example, as to substantive rights, no one can know with certainty what enlargements by interpretation may result from such general language as appears in Article 1 and in Article 2, subparagraph (b) which assures to every person in the world such "human rights and fundamental freedoms as conform with the *general principles of law recognized by civilized nations*."

I am aware that this latter phrase appears in the Statute of the International Court of Justice, drafted in connection with the United Nations Charter, but does anyone know what it means? This phrase is without possibility of present definition. Who are the "civilized nations" and what are "the general principles of law" recognized by as many as a half dozen nations? Doubtless a scrutiny of the laws of all nations who may be asked to sign the Covenant would reveal that very few had recognized all of the rights and freedoms founded on the general principles of law recognized by such a nation as the United States. As already pointed out, certain very important basic rights recognized by some of the civilized nations are entirely omitted from the Covenant.

An Account To Be Given

Article 3 requires the nations to supply explanations to the United Nations as to the manner in which their laws give effect to the Covenant. Complying with requests for explanations may not only in itself become burdensome and irritating because it primarily concerns domestic affairs, but if the purpose of the provision is to attain some degree of uniformity among nations, we may be told, if the communist and dictator nations muster a majority at any time in the United Nations, "You must enforce freedom our way," or we may be called upon

by force of arms to compel the communist and dictator nations to enforce our notions of freedom. The Article provides no machinery for investigation by the General Assembly itself, and obviously the explanation of many nations with whom we are acquainted would not be worth the paper it was written on and would be meaningless unless backed up by an impartial investigation. All of which further demonstrates the stalemates and irritations that will be engendered if the United Nations attempts to concern itself with the internal and domestic affairs of individual nations.

In the case of a federal government like our own, our government could be called upon to furnish all sorts of reports and explanations not only of its own conduct but the conduct of every other unit of government, such as states, counties and cities. Under our form of government, the various local units have a certain independence and latitude in the making of local laws and ordinances. Consider for a moment the matter that arises later under Article 11, subparagraph 1, guaranteeing *free choice of residence*. There is a considerable body of law in this country, differing in certain states, but which generally recognizes as proper, and which a large proportion, perhaps a majority, of the people, recognize as proper, that owners of property may, by agreement or grant, restrict the occupancy of certain areas, and such agreements or grants generally enhance the value of the land involved in the same way as other forms of planning or procedure with respect to land. The United States Supreme Court in a recent case has held that a state or state courts may not under the 14th Amendment to the Constitution enforce such restrictions with respect to residence on land but that such restrictions are not un-Constitutional in so far as observed by parties voluntarily. Even in the light of the recent Supreme Court decision the United States Government should not subscribe to setting aside what has been long established and recognized as a proper restriction with respect, at least, to limited areas of property. Even in spite of the present Supreme Court decision a very large section of the population will doubtless continue to favor such covenants, and perhaps in due course achieve a change or modification in the recent adverse decision by the present Supreme Court.

A Principle Mislaid

We may well ask: What becomes of the principle embodied very early in the United Nations Charter, Article 2, subparagraph 7, "Nothing contained in the present Charter shall authorize the United Nations to intervene in matters which are essentially within the domestic jurisdiction of any state

or shall require the Members to submit such matters to settlement under the present Charter"? Is the violation of this principle to be brought about through the back door of the provisions of an "International Bill of Rights"?

Who Shall Verify Emergency

Section 1 of Article 4 reads: "In time of war or other public emergency, a state may take measures derogating from its obligations under Article 2 above to the extent strictly limited by the *exigencies* of the situation." Who is to be the judge of "the exigencies of the situation"? Article 4 affords a basis for further dissension among nations as to what extent the exigencies of the situation in war or emergency justify derogation from the general obligations under Article 2. We have been in almost constant states of emergency of one kind or another since the Emergency Relief Act of 1933, under which the President by executive order promulgated numerous "emergency" orders, including one that limited our right of private ownership of property by making it unlawful for private citizens to own gold. There was disagreement among our own citizens whether this action was justified. If the decision were left to other nations, disagreement on an international scale, or even war, could conceivably have resulted. At any rate it was a matter for us to decide by our own processes without interference by other nations. Even after our many years of "national emergencies" many of us are not sure what it takes to constitute an emergency. There would be endless dispute and dissension among the nations as to what derogations of freedom are justified by different types of emergencies.

Article 6 reads: "It shall be unlawful to subject any person to any form of physical mutilation or medical or scientific experimentation against his will." This would appear at first hand to be entirely appropriate for any "Bill of Rights" but a critical consideration immediately discloses that it would constitute a definite interference with domestic law and policy. If it became the supreme law of the land by virtue of the adoption of the Covenant as a treaty, our various states would be prevented from passing laws or enforcing existing laws relating to such matters as compulsory vaccination, sterilization of the insane, treatment of sexual psychopaths and the like, either on the ground that they constitute physical mutilation, or that the treatment is in the experimental stage. Sterilization of the criminally insane should be properly left open for states and nations to decide for themselves upon the basis of population, the number of the criminally insane, etc.

Article 8 is similar in purpose to the 13th Amendment to the Constitution of the United States, for-

bidding involuntary servitude, but under this Article as drawn in the Covenant there will arise grave differences of opinion as to what calamities and emergencies justify forced labor. For example, would the emergency of a national railroad strike affecting the well-being of the nation be sufficient justification for compulsory labor under subparagraph 3 (b)?

Article 10 may easily be construed as preventing imprisonment for contempt of court if the matter in litigation arises out of the breach of a contractual obligation. The provision would also nullify the effectiveness of decrees for specific performance in cases where such decrees are entirely just and proper under our law.

Article 11 provides for "liberty of movement and free choice of residence." The latter phrase would ban agreements and grants restricting who may reside in certain areas. Liberty of movement may include the right to trespass on private property, particularly since there is no protection in the Covenant of private property or its exclusive ownership. Also, "liberty of movement" might be used to justify unrestricted picketing.

Article 12 reads: "No alien legally admitted to the territory of a state shall be arbitrarily expelled therefrom." This may raise considerable difficulty for a country like the United States where foreign visitors are more or less freely admitted in the first instance on mere visitors' visas.

A foreign nation might contend that we had acted arbitrarily in expelling or deporting their spies or communist agents or other subversive individuals. What alien shall be permitted to remain in a country should be a matter for that country to decide. On the other hand, this Article is so indefinite with respect to the meaning of "arbitrarily expelled" as to be practically meaningless. The finding of a commission or government official might be deemed to be arbitrary or not to be arbitrary, depending on the country involved.

Whose Civilization or Whose Morals?

Article 14 again refers to "the general principles of law recognized by civilized nations," a term so indefinite and meaningless at the present time as to render the whole Article without effect. No one can tell which nations are referred to or how many of the so-called civilized nations must recognize a principle of law to make it controlling.

While in subparagraph 1 attempt is made to preserve the principle that no one shall be convicted under *ex post facto* laws, in subparagraph 2 the broad and general language (obviously to save the Nuremberg trials) would seem to undo many of

the safeguards provided in the language of subparagraph 1.

Article 15 reads: "No person shall be deprived of his juridical personality." What is the meaning of "juridical personality"? Does it mean merely that individuals shall have such status as entitles them to access to the courts, or is it designed to prohibit the Bill of Attainder, or is it to be used to implement Article 12 and give aliens a standing which they otherwise might not have?

All of the rights given by subparagraphs 1 and 2 of Article 16 are limited by subparagraph 3, one important limitation being based upon public "morals." Does the Article refer to the morals of the world, or of the individual nation, or of the immediate community of the person involved? Subparagraph 1 provides that a person shall not be required to do any act which is contrary to his religious belief and its observance. What about the Doukhobors who do not like to wear clothes, or the Mormons who insisted that polygamy was a part of their religious belief and observance? In many Moslem countries it is neither contrary to law nor to morals to practice polygamy.

THE DECLARATION

THE language of the first draft of the Declaration was in many respects so vague and general that it could be interpreted by the freedom-loving nations one way and another way by the dictator nations. For example, the right to own property stated in Article 14 of the Declaration was limited to ownership "in conformity with the laws of the state in which such property is located." In Russia of course this meant ownership by the state in many instances with some right of user in common with other citizens.

In the first draft of the Declaration, as in each revision of it, the fact is disclosed that the drafters have very little appreciation of the historical fact that the basic purpose of a "Bill of Rights" is to protect the individual citizen from the encroachments of his own government and leave him as free as possible to work out his social and economic destiny according to his own talents and deserts. By number, more than one half of the articles attempt to follow the traditional pattern of a Bill of Rights, but the provisions are phrased in such vague and general terms as to be incapable of legal definition and easily capable of different interpretation by the peoples of different political backgrounds. Totalitarian governments will not read or interpret them as we understand them.

The remaining articles, however, constitute an agreement to adopt the "New Deal" on an interna-

tional scale by committing the member nations to a paternalistic form of government which would attempt to care for all the daily needs of the citizen, and minimize the incentive for individual initiative and progress. These latter articles do not pretend to limit the powers of government, but on the contrary, impose so-called economic and social duties upon government—the fulfillment of which will require a planned economy and a control by government of individual action.

This program, if adopted and approved by the member nations, will promote state socialism, if not communism, throughout the world. It will tend to cast the peoples of the world into a common social and economic mold under which everything is to be supplied by a paternalistic government upon an equalized basis and, to a large extent, regardless of individual effort.

Another article says that nothing in the Declaration shall imply that any state or person may engage in any activity aimed at the destruction of any of the rights and freedoms described therein. Does this mean that every state and person will be prevented from engaging in any activity (including freedom of speech) aimed at changing the social and economic structure of the welfare government once established? It is significant in this connection to note the revised Declaration also contains no provision for amendment.

CONCLUSION

IT is not contemplated that the Declaration will require ratification by the member nations according to their respective constitutional processes. In the United States the President could accept the Declaration without any action by the Congress as a whole or even by the Senate. Doubtless any nation that accepts it, or even voted for it in the General Assembly of the United Nations, will be expected to live up to it and enforce it and may later find itself in the difficulty of being asked and expected to ratify a "covenant" containing similar provisions for the promotion of a welfare type of government, for as a part of the program of the Commission, it is still contemplated that measures or machinery for implementation will be set up and that in due course a Covenant will be proposed for ratification as a convention to give it the force of law. The Chairman of the Commission, Mrs. Roosevelt, substantially so announces the program in the July, 1948, issue of the *United Nations Bulletin* on page 521.

The Director of the Division of Human Rights of the United Nations, Mr. John P. Humphrey, in an

Article in the January, 1948, issue of *The Annals of The American Academy of Political and Social Science*, himself admits that what the Commission is now proposing constitutes an intervention in matters "within the domestic jurisdiction" of the member states. He exposes the whole revolutionary nature of the program by boldly stating:

"What the United Nations is trying to do is revolutionary in character. Human rights are largely a matter of relationships between the state and individuals, and therefore a matter which has been traditionally regarded as being within the domestic jurisdiction of states. What is now being proposed is, in effect, the creation of some kind of supernational supervision of this relationship between the state and its citizens."

Such a program will necessarily produce inevitable conflicts with local law and the internal social and economic conditions in the member nations. These conflicts (even though only matters of interpretation) will likely result in continuous international irritations and provocations.

Moreover, the proposal has serious implications with respect to our form of government. In the United States laws affecting the citizen's life, liberty and property are passed by established agencies of representative government, to-wit: by the Senate and House of Representatives or by the state legislatures, whereas the proposal involved in an "International Bill of Rights" is that by and through the use of a treaty, or even without that, and simply by and through an adoption of a Declaration by the United Nations Assembly and approved by the President and the State Department, the fundamental rights and liberties of the citizens of this country and their definition would be declared, and in effect legislated for them, without their having any voice about it, either by their own votes or through the votes of their duly elected representatives.

This is a dangerous, far-reaching and revolutionary change in the processes of constitutional government—the importance of which seems to have been overlooked, in spite of the fact that the revolutionary character of the proposal has been openly admitted by the proponents of the program including the Director of the Division of Human Rights himself.

It is the immediate and important duty of lawyers to study and analyze, before it is too late, these proposals for an "International Bill of Rights" and their anticipated implementation by a new World Court on Human Relations and explain to the American people the revolutionary nature of the proposals and the dangerous implications with respect to our form of government.

News of ITO and GATT

WASHINGTON CORRESPONDENCE

GREEN PAPER No. 18 of the State Department's *Foreign Affairs Outlines* is devoted to the Charter of the International Trade Organization, which will come before Congress this year either as a treaty to be ratified by the Senate or as a bond to be signed by both the Senate and the House of Representatives. The big theme line at the top of the paper is:

BUILDING THE *Peace*

The title in bold face is:

A Charter for World Prosperity - - The *How* and *Why* of the ITO

This Green paper, therefore, is addressed to all who are peace builders at heart and introduces the subject with a conclusion in the title—the conclusion, namely, that the Charter of the International Trade Organization *is* a charter for world prosperity. Since most people are peace builders at heart, and since of course everybody is for peace with prosperity, its appeal is as wide as all wishfulness. It is written in the government's best avuncular style, with an air of being simply instructive. The effect will be to create for the Charter of the International Trade Organization a wave of popular sentiment, which, expressing itself in letters, telegrams, resolutions, memorials and petitions, will return to Washington as the voice of the people, putting what General Hugh Johnson used to call ants in the pants of those who waver and the discomfort of great heat in the seats of the opposition. This technique is now well known. It has been perfected in our time.

The Green Paper says:

"Approval of the Charter and acceptance of membership in the International Trade Organization would be a logical continuation of United States economic policy. . . . the aims of the Charter are closely related to the traditional objectives of American economic policy. . . . Its main principles are firmly rooted in the traditions of the American foreign policy."

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That the Charter is a logical continuation of American economic policy is purely the State Department's own construction. There is a great body of opinion to the contrary, in the country and in

Congress. From reading the Green Paper you would never know that there was any contrary opinion.

The traditions of American economic policy are 150 years old. Never before has it been proposed that to an international authority, invested with governmental powers, the United States should surrender the right to do what it likes with its own trade and its own resources.

Anyone who thinks this is an extreme interpretation of the proposed Charter may turn 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 and consumption."

This means that if the United States has enough of a certain thing 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 unless at the same time it restricts its own use of its own wealth.

Or one may turn to Article 2 of Chapter III, which charges the International Trade Organization to promote measures—

"To facilitate an equitable distribution of skills, arts, technology, materials and equipment, with due regard to the needs of all members."

Who shall determine what is an equitable distribution of the skills, arts, technology, materials and equipment, with due regard to the needs of all members? The International Trade Organization will do that. And in that Organization the United States, possessing one half the industrial power of the world, would have one voice, equal only to that of Pakistan or Afghanistan.

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Never before has it been proposed that to an international authority the United States should surrender the right to have, if it continues to want one, a free economy.

This is neither a deduction nor an interpretation. It is a fact implicit in the case, entirely omitted from the State Department's logic.

The controlling idea of the Charter is that the trade of the world shall be planned by an authority

which "shall be exclusively international in character," and planned to such ends as, first, that the resources of the world shall be equitably distributed among the nations, and secondly, that the trade of the world shall be saved from the disturbing effects of free prices, free markets and free competition.

It follows logically that if an international authority is going to impose upon the world a planned economy, each member nation will have to plan its own economy to fit the world plan, for otherwise it would not work nor make any sense whatever. There can be no such thing as a planned economic equilibrium for the world with a lot of national economies running free.

The Green Paper says:

"There is the danger that the restrictive governmental controls now in operation as emergency devices will become entrenched."

And again:

"The opposite objective calls for numerous closed economies, each of which conducts foreign trade under strict governmental control."

And it denounces

"trade barriers that consisted of governmental regulations."

You might take it, therefore, that the Charter's aim is to deliver trade from governmental control. On the contrary, what the Charter proposes to do is to raise governmental control of trade to a world principle, above the national principle. Instead of each nation controlling its own trade, the trade of all member nations would be controlled by one world authority.

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The Green Paper says:

"The ITO is in no sense a superstate. . . . The ITO Charter is designed to provide a constitution for world trade and thereby strengthens the foundations of the United Nations. Within the framework of ITO the economic foreign policy of the United States can be exercised with certainty and effectiveness to promote the economic welfare of this nation and others."

These are disarming statements. One must suppose either that they were so intended or that the State Department experts who wrote them had not themselves read the Charter or having read it, understood it.

What is this proposed new power that would govern the trade of the world and the distribution of its resources? It is defined by the Green Paper as "a specialized agency of the United Nations," and the Charter is called a *constitution*.

In the first place, the International Trade Organization would not be an agency of the United Na-

tions. It would be an independent power. Article 88, Chapter VII, reads:

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

Thus, the executive power of the International Trade Organization is responsible only to the International Trade Organization itself.

In the second place, the International Trade Organization, so far from being an agency, so far from being bound by constitution, would be free at any time to change the law of its own being. If it can change the law of its own being it is above any law or, if you will, a law unto itself.

The supreme power of the International Trade Organization shall be invested in the Conference, and the Conference shall consist of all the members of the Organization. Article 100, Chapter VII, provides that the Conference may by a two-thirds vote amend the Charter and—

"May determine that the amendment is of such a nature that the members who do not accept it within a specified period . . . shall be suspended from membership in the Organization."

Thus, the governing body of the International Trade Organization could at any time by a two-thirds vote—the United States having one vote—rewrite its own constitution and afterward, against any dissenting member, read a sentence of expulsion, and bring to bear upon that dissenting member all the power of retaliation and reprisal within its resources.

And this is the institution within the framework of which, says, the State Department, "the economic foreign policy of the United States can be exercised with certainty and effectiveness."

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At this point one may ask: What is the economic foreign policy of the United States?

If the State Department ever permitted itself to speak irritably, its answer to that question would be to say it has just been telling you what it is; you evidently were not listening. The economic foreign policy of the United States, it says, is expressed by the Charter of the International Trade Organization, which grew out of its own proposals, and

"The Charter of the International Trade Organization (ITO) has one over-all purpose which should be borne in mind in any study of the provisions of this document: to establish and maintain by mutual agreement, an 'open' or multilateral system of trade relations between members of the organization, and to

expand on businesslike principles the trade of each member with all other members."

However, this does not dispose of the question.

On October 5, 1948, the President of the United States issued Executive Order 10004 (published in the *Federal Register* October 7), creating a new Inter-departmental Committee on Trade Agreements. This Executive Order says:

"With a view to the conduct of the trade-agreements program in the general public interest through a co-ordination of the interests of American industry (including agriculture), of American commerce and labor, and of American military, financial, and foreign policy, the Trade Agreements Committee shall consist of persons designated from their respective agencies by the Secretary of State, the Secretary of the Treasury, the Secretary of Defense, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, and the Administrator for Economic Cooperation. The representative from the Department of State shall be the chairman of the Trade Agreements Committee."

Here is a clear-cut statement of intention to conduct American foreign trade as an instrument of *military, financial and foreign policy*. Where in the Charter of the International Trade Organization is there anything about coordinating this country's foreign trade policy with military policy? When before has the American Government in time of peace announced an intention of that character?

Does the State Department itself know what the economic foreign policy of the United States is, really?

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But there is something else you would never know about the *why* and *how* of the International Trade Organization if all you had for it was the State Department's Green Paper. There is a Little ITO already working. Its name is GATT. In the Autumn Number of *American Affairs* the story of GATT was written as follows:

"You probably do not know what GATT is. The initials stand for the General Agreement on Trade and Tariffs, to which twenty-three countries, including the United States, have set their signatures. You may, if you like, get the document itself and read it; you may even understand it as one more agreement among nations. But will it tell you that GATT is an international ghost? As we use language, there is nothing very mysterious about an international ghost. One may speak, for example, of the ghost of the League of Nations. But never before was there a ghost like this one. It is wrong-end-to in time and space. That is to say, it represents not anything that is dead but something that has not yet been born. In that unnatural condition—a ghost waiting for its right body to be born—it sits nevertheless at Geneva and acts with authority upon the trade of the world, as, for example, to say

what the United States may do about its own trade with Germany.

"No ghost creates itself. Certainly this one didn't. GATT is the work of the State Department's world trade planners. At Geneva last year they had two projects moving together. One was to swap markets with twenty-two other nations under the Trade Agreements Act by which Congress delegated to the President the power to make trade and tariff bargains. The other was to draft a great treaty that would put the trade of the world under the authority of a United Nations body, to be called the International Trade Organization, with power to keep exchange among the nations in a state of planned equilibrium.

"Suddenly they got a brilliant and subtle idea. They said to one another: 'Look. This International Trade Charter we are writing will have to be approved by Congress, and there may be trouble there. On the other hand, tariff and trade agreements made by the President under the Trade Agreements Act do not have to be submitted to Congress. They may be made effective by proclamation of the President, and Congress cannot touch them. Therefore, let us by-pass Congress. Let us write the elements of our International Trade Charter into what we shall call a General Agreement on Trade and Tariffs. This General Agreement on Trade and Tariffs, in effect, containing our International Trade Charter, will be proclaimed by the President as an executive agreement, and then if Congress will not accept our International Trade Charter we shall have it anyhow.'

"That was done. All the twenty-three nations who signed the General Agreement on Trade and Tariffs bound themselves beforehand to observe the principles of an International Trade Charter that nobody had signed. In November, 1947, the United Nations published the text of the General Agreement on Trade and Tariffs.

"In December, the President proclaimed this country's adherence. Other countries followed suit.

"Then later, when it had been perfected by a world conference at Havana, the International Trade Charter was brought home. Congress has not yet acted upon it.

"The position of matters, therefore, is that while the International Trade Charter is pending in Congress, its principles are being imposed upon international trade by GATT. Suppose Congress rejects the International Trade Charter, as it may do. In that case, what will happen? Nothing. The State Department's world trade planners have already got their international trade organization, and it is working with no benefit of Congress."

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Since this was written there has been news of GATT, but not in the newspapers. In the October 15th number of the *United Nations Bulletin*, Eric Wyndham White wrote a report on GATT at work. He said:

"The Contracting Parties to GATT held their second session at Geneva from August 25 to September 14, 1948. They embodied their conclusions

in new Protocols to GATT and made several important decisions on cases referred to them by Contracting Parties."

Having written that paragraph as an introduction he looked at it, put quotation marks around it, and said:

"To many people this might seem to be written in code rather than in plain English. The purpose of this article is, therefore, to explain just what took place at Geneva during those nineteen working days and to suggest why the results are significant in terms of removing barriers to trade, in promoting peaceful commercial relations amongst the trading countries of the world, and in paving the way for the International Trade Organization."

So you see he was aware that very few people—probably few United Nations people—knew anything at all about GATT. From there he went on in a formal way to tell the genesis of GATT for the benefit of those who had never heard of it and came presently to the work it did in Geneva. Of the work he said:

"Here is a brief summary of the accomplishments of the second session. First, a number of detailed changes in GATT, bringing it more closely into line with the Havana Charter—

"Secondly, it was agreed to hold a further series of tariff negotiations, to start immediately, and to enter the final multilateral stage at Geneva in April 1949.

"Thirdly, for reasons due to their current economic difficulties, Pakistan and Ceylon were permitted to modify, to a very limited extent, their tariff reductions on certain imports agreed to during the 1947 Geneva negotiations.

"Brazil was also allowed to increase certain import duties affecting the United Kingdom and the United States, but only in return for other concessions.

"For special reasons, relating to their former economic dependence on Japan, the United States was given permission to give preferential treatment to its Trust Territory islands in the Pacific.

"Fourthly, on a complaint by the United States against discrimination practiced by Cuba affecting United States textile exports, the Cuban government undertook to relieve the situation immediately and to negotiate for a solution which would not have the effect of restricting trade. At the same time the United States agreed to renegotiate certain other items in return for adequate compensation by Cuba."

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If the State Department had been permitted to see Mr. White's article, the writers of its Green Paper might have been able to suggest words less awkward than *allowed* and *permission*.

How can it be imagined that within the framework of the International Trade Organization "the economic foreign policy of the United States can be

exercised with certainty and effectiveness," when, as the Little ITO already works—

It was GATT that *allowed* Brazil to increase certain import duties against the United States;

It was GATT that acted on trade relations between the United States and Cuba, and

It was from GATT that the United States, for special reasons, received *permission* to give preferential treatment to its islands in the Pacific?

The Case for The Charter

A document that may be expected to have a good deal of weight with Congress is one entitled "The International Trade Organization—an Appraisal of the Havana Charter," prepared as a report to the Committee on Foreign Affairs of the House, by James G. Fulton and Jacob K. Javits. As members of the Foreign Affairs Committee of the House they were assigned to make a special study of the subject, and later, by appointment of the President, they took part in the Havana conference that brought the Charter forth. Their reasons for now supporting it appear in the following excerpts from the report.—Editor.

IN appraising the Havana Charter, it should be kept in mind that the international situation has changed since this government first announced to the world the project of such a charter. When that event took place, the hopes for world-wide cooperation along political and economic lines were at their peak. The United Nations had just been established as the central organization through which it was expected that the world's nations would establish a new era in which collaboration would replace conflict. The erosive effect which abuse of the veto in the United Nations Security Council was to have upon these aspirations was not yet realized. Since then the prospective area of cooperation has been greatly narrowed. But the problems still remain, and the necessity of seeking rational solutions of them within the scope of cooperation that is still possible is as strong as it was at the moment of victory. Indeed, international cooperation is more vital to the United States than ever before, even though the area of cooperation has proved narrower than was hoped.

The fact that the United States began this project, and that the carrying on of the project is

completely contingent upon what the United States may decide to do, is one element in the argument for the charter. Continuity as well as unity in foreign policy remains a thing to be desired. This alone is not a clinching argument, however. If the charter is no longer in the interests of the United States, the need of continuity loses its force as an argument. It is necessary for the government and the public to reappraise the charter in the light of current situations.

Three years ago the idea was quite widely held that international organization was a good end in itself. This was characteristic of the immediate post-war enthusiasm for the creation of a new era in international life. In this point of view, the more nations could be drawn into associations, the more numerous the international agencies that might be created, and the wider the scope of their authority—the better would be the results obtained in international life. This point of view is not sustained in this report. International organizations should not be created more rapidly than adequate personnel can be recruited and trained to bring them to a satisfactory minimum of efficiency, or more rapidly than the participating governments are going to enter wholeheartedly and conscientiously into the attendant obligations.

Questions for the American Public

The setting up of a wide assortment of international organizations has characterized international relations since the close of hostilities in World War II. The American public is justified in viewing skeptically further developments along this line at the present time. To view skeptically, however, does not necessarily mean to view negatively. It requires the asking of such basic questions as the following before undertaking further commitments in the field of international organization:

Will this nation be better off in some realistic calculable way with this organization in existence than without it?

Will the aims of the organization serve the purposes of United States foreign policy?

Will the organization be able to do something about concrete problems of immediate moment or is it intended merely to make plans about problems of remote consequence in the world's present state and to be just another international debating society?

Is there any prospect that the organization can come into being, with or without United States participation?

As to the character of the international organization envisaged by the charter, it should be stressed that it will be dealing essentially with concrete problems rather than with theoretic and remote questions. Its task will be the development and

administration of a code of rules concerning international commerce. For this the charter provides only the framework. The substance is to be developed through the establishment of precedents and the growth of a body of cases. It will be an operating organization, not a planning organization. The area of relationships in which it will operate will be of immediate concern to the economic welfare of the member governments and their peoples. The modes of practice developed by the International Trade Organization will affect the economic stability and the standard of living of all the participating peoples. In that way it can contribute greatly, if its full potentialities are realized, to the establishment of a basis for international peace and order. . . .

The Premise of Mutual Advantage

It will not be a supergovernment in any sense. The ultimate right of decision will remain with the member governments to be settled in accord with their own constitutional practices. The only restraint upon them, the force that will keep them aligned with the principles of the charter, will be the consciousness of their own interests. The organization will be completely controlled by its members. Membership will be voluntary. A country will be free to withdraw after three years, or sooner under certain circumstances.

The concept behind the charter is that the economic welfare of nations is not to be regarded as an item in short supply—not something to be hoarded or preempted by a government in the fear that other governments might beat it out of its share—but rather a thing capable of expansion and development in which a large number of nations working together in a mutual exchange of advantage can achieve a greater total result than they can working severally in mutual fear, mutual jealousy, and conflict.

That this premise is correct is by no means a matter of unanimous agreement in the world. Only three years ago a victory was established over an alliance of governments sharing an entirely opposite idea of the way to conduct international trade. The nations which still have an opportunity to choose in behalf of an experiment in free international economic collaboration now face another challenge from another quarter. The relevancy of World War II to the problems which the charter would seek to alleviate and the nature of the Communist hostility to the methods which the charter would seek to employ are of the substance of the issues with which the United States must deal in making up its mind whether or not to carry on to a conclusion the project which has been launched.

The United States and like-minded nations have already launched one experiment in collaboration to

solve the problems which are the heritage of World War II—the European Recovery Program. This, however, is a transitional program. Its significance is fully understood only in relationship to its sequel, a permanent pattern for international economic relationships on a world-wide basis. The International Trade Organization is proposed as that sequel. The European Recovery Program undertakes to transform Europe's economic problems into a form and dimension in which they will be manageable. The International Trade Organization is proposed as a framework in which to manage them when that stage has been reached. . . .

Interest of the United States

If the charter is to be weighed as an instrument for establishing private enterprise throughout the world, one answer as to its adequacy will be arrived at. If it is to be considered as an instrument for abating and avoiding economic warfare among highly diverse economic systems and of preserving private enterprise in those nations desiring to maintain it, the answer will be quite different.

In the United States adherence to the principles of private enterprise is general. The preservation and the strengthening of the private enterprise system are objectives on which the vast majority of Americans would agree, notwithstanding their differences on methods. The United States negotiators at Havana were determined to bring about a charter that would conduce to the preservation and the strengthening of private enterprise in the United States. To force the principles of private enterprise on the rest of the world would have been impossible even if desirable. The United States was not entirely isolated in its approach to international economic problems at Havana. But its premises about private enterprise often put this nation in the minority. It found consistent support for its purposes among Canada, the nations of the Benelux Customs Union, and Sweden, Norway, and Denmark. But not even all of these are at one with the United States in its belief in and practice of private enterprise. It would presumably be better for American institutions if the world were at one in supporting private enterprise. But the world is not so minded, at least not without qualification, and the United States must therefore make the best of the situation. The easy answer would be, "Let's wash our hands of the whole business. If other nations won't play the game our way, we shall not play with them." The United States is not in a position to give that answer. It needs materials and supplies from the rest of the world. It needs markets in the rest of the world. It is, furthermore, strategically bound to the rest of the world.

It must, therefore, do its best to insure that international trade affairs are conducted in a manner that will support its strategic interest rather than militate against it.

The Basis for Appraisal

The requirement is not for a charter that will clear up all the problems and erase all the differences but for a charter that will provide a framework for easing the problems that arise from the differences. A charter that eliminates all the difficulties is manifestly impossible. This nation must appraise the charter with a realistic recognition that it necessarily represents a formula for bringing divergent interests and viewpoints together—not a formula for dictating to countries or intervening in their domestic institutions. It seeks to foster uniformity of behavior and policy only with respect to external trade, and with due regard for the essential rights and interests of each country. In the words of *The Federalist*, commenting on our own Constitution:

"The result of the deliberations of all collective bodies must necessarily be a compound as well of the errors and prejudices as of the good sense and wisdom of the individuals of whom they are composed. . . ."

The same applies with equal validity to attempts to bring harmonious action among nations. The crux is not how this proposed charter compares to the perfect formula but how it compares to the situation that will obtain if the charter does not go into effect.

The conclusion of this report is that the advantage lies on the side of the charter. It is a step in the right direction.

In so far as it may be an inadequate step, it is susceptible of improvement by amendment. The charter is the outcome of a long effort to establish a broad formula for bringing about expansion and stabilization in international trade. It is the only such proposal now before the world. There is no better alternative in view. A better charter is conceivable. It can be attained by amending this one after acceptance much more readily than it can be attained by starting the effort all over again. Indeed, there is no likelihood that other governments would agree to start all over again.

A year from the Final Act of the Havana Conference will have elapsed within a few weeks after the convening of the Eighty-first Congress. This will be the year in which the charter may be brought into effect by a majority of these countries. In the ensuing six months, from March 24 to September 3, 1949, the charter may become effective through acceptance by 20 signatories. After that the charter may be put into effect on a more limited basis by agreement among the governments willing to go

along with its terms. Too much time has already been lost since the outset of the project. On the other hand, much time must be taken to acquaint the public with the undertaking.

The possibility of bringing the charter into effect with the support of a preponderant number of the world's nations is still strong. This is indicated in the wide acceptance of the General Agreement on Tariffs and Trade negotiated at Geneva a year ago. Twenty-three governments signed that agreement: Australia, the Belgium-Netherlands-Luxembourg Customs Union, Brazil, Burma, Canada, Ceylon, Chile, China, Cuba, Czechoslovakia, France, India, Lebanon, New Zealand, Norway, Pakistan, Southern Rhodesia, Syria, Union of South Africa, United States, and United Kingdom. All but Chile, which has not yet completed the constitutional process of ratification, have brought the General Agreement into provisional effect. In addition, eleven countries have signified their intention of subscribing to the General Agreement. These are: Denmark, Dominican Republic, El Salvador, Finland, Greece, Haiti, Italy, Nicaragua, Peru, Sweden, and Uruguay.

The 34 governments named represent collectively about 85% of the world's international trade. The importance of their support of the General Agreement as an indication of support of the Havana Charter is appreciated when one considers that the General Agreement applies provisionally many of the most significant of the commercial policy undertakings of the Havana Charter.

It appears certain, however, that the International Trade Organization will not come into being

if the United States does not continue to exercise its leadership in that direction. The position of this nation has become so important in world commerce that it is inconceivable that the organization could be appreciably effective without the participation of the United States. This is realized abroad. It is hardly to be expected that many governments will act affirmatively until the United States has so acted. The same situation will probably obtain as was the case in the Bretton Woods Agreement. Until the United States had acted, no other government acted. After the United States had acted, the necessary minimum number of governments acted within five months.

The situation regarding the Havana Charter has been summarized by an official of the Canadian Government as follows:

"... If the United States ratifies the agreement finally . . . it is expected that most other countries will follow with ratifications of the agreement. The agreement will then go into final effect. If the United States does not ratify, then I think the whole thing will fall to the ground, because no other country will ratify this agreement unless the United States does. . . ."

This refutes the argument sometimes made that the United States should defer its decision about the International Trade Organization until it sees what the other potential members are going to do. If the United States waits, the project will collapse. For the United States there is nought to gain and much to lose in such an eventuality.

Legal Fluoroscope of the World Trade Charter

Digest of a Report by a Special Committee of the American Bar Association

WHAT is perhaps the most satisfactory legal analysis of the International Trade Organization Charter that has been produced is the work of a special committee of the American Bar Association, under the chairmanship of Sam G. Baggett of Boston, who is a high authority on the laws and customs of international trade. This report was printed at length in the November issue of *The Business Lawyer*. Here are only some salient excerpts and ten conclusions.

The report begins with a review of how this country's new economic foreign policy took form:

"Since before the close of hostilities in Europe on May 8, 1945, the pattern of this country's foreign economic policy was being developed within the Department of State. It was inevitable that the approach should be multilateral, to parallel the political aspects of our foreign policy. Having its genesis in that period of extreme optimism regarding collaboration among the nations, it was only natural that objectives should have

been set which proved, in the light of later developments, too comprehensive and too ambitious.

"The central theme of our postwar diplomacy was of course multilateral accord among the nations which had successfully prosecuted the war and as many others as seemed to be "like minded." The vehicle of this projected collaboration was the United Nations. This government adhered to the Charter of the United Nations, which was transmitted to the Senate forthwith for its 'advice and consent'; which the Senate accorded on July 28th, 1945, by the almost unanimous vote of 89 affirmative to two negative. Other participant nations evinced similar unanimity, ratifications were exchanged, and the hard work of creating the organization, and translating the enthusiasm into accomplishment in various fields, courageously begun.

"In accordance with the Charter, and within the framework of the United Nations organization, there was created the Economic and Social Council, and to it was assigned the duty, among others, of developing 'specialized agencies' by means of conferences, and entering into agreements with such agencies, once they were set up. The agencies do not, however, derive their authority from the United Nations, so much as from their respective constitutive documents, and the adherence of individual nations to those accords. Thus it remains a matter of individual decision for each nation (whether or not a member of the United Nations) to adhere or not to the International Trade Organization, since it is projected as a 'specialized agency.'

"On November 1, 1945, our Department of State released its 'Proposals for Expansion of World Trade and Employment' which was the genesis of the Havana Charter. On February 16, 1946, upon the initiative of the United States, the Economic and Social Council, then holding in London its first session, adopted a resolution calling for an International Conference on Trade and Employment, including terms of reference and the objective of establishment of an international trade organization. A Preparatory Committee was set up to meet in London, and in anticipation of this session, the Department of State elaborated from its 'Proposals' a 'Suggested Charter for an International Trade Organization of the United Nations.' (Publication 2598, September, 1946.)

"The First Session of the Preparatory Committee (October 15–November 26, 1946, London) was the first occasion on which the projected charter was exposed to the full impact of the attitudes of other governments. The results are clearly shown by comparing the preceding documents with the so-called 'London Draft' which emerged from these discussions in October, 1946, UN Doc. EPC/T/33.

"Conclusion I

"The revisions in content and phraseology reflect concessions to planned economy concepts which are confirmed by reference to the explanatory notes. The addition of an entire chapter on 'Economic Development' is noteworthy, as is the emphasis on governmental functions and activities as distinguished from private enterprise."

The report then follows the Charter to Geneva where it was again revised, and from Geneva to Havana, where the first formal Conference on Trade and Employment took place in the autumn of 1947. Up to this time the draft was the work of a small body of experts. At Havana delegations from fifty-four nations began to act upon it, and:

"As had been expected, the increase from a score to fifty-four participants multiplied the divergence of attitudes and approaches to a point where merely the preservation of the modicum of agreement accomplished at Geneva was a major task. The American position on several issues was not supported by other delegations whose support had been relied upon. The Conference actually lasted four months, in place of the estimated six weeks. On March 24, 1948, the Havana Charter for an International Trade Organization took its definitive form."

The report then takes up the question of how the Charter shall be brought before Congress—as a treaty or as an international agreement that may be accepted by joint resolution. The difference is legally technical, and yet very important, because a treaty, according to the Constitution, becomes the supreme law of the land. The report says:

"The State Department has not yet indicated officially what form of Congressional sanction for the Charter it will ask. . . . It is the considered view of your Committee that the Havana document is in essence a treaty commitment. This is derived inevitably from the nature and variety of its content, and the prospective effect of its stipulations which operate to bind this country and the cosignatories, over a period of three years at least. There are certainly features of the Charter the effect of which on domestic legislation would be important, and to give it less than treaty status could only create confusion and uncertainty. Hence, it is not considered appropriate to resort to a simple enabling act, with only majority approval in Congress.

"At all events, we have a projected diplomatic engagement which, under the circumstances, is not permanent or definitive, but may, through mechanisms operating outside our control, be substantially modified, contracted or expanded.

"Conclusion II

"We are forced to the conclusion (a) that such a commitment cannot validly be entered into by the President without the advice and consent of the Senate; and that (b) the Senate cannot give its advice and consent (and probably will not knowingly do so) to an engagement, the modification of which is thus placed beyond its power of review. Such a situation carries with it a surrender of sovereignty of such broad implications that, if not dismissed forthwith as undesirable, it should only be endorsed if substantial inducements and considerations for it are assured."

As now the only great creditor nation of the world, with only one vote and no power of veto,

where would the United States stand? The report says:

"Chapter VII in essence provides for the Organization to be composed of The Conference, which is the plenary power, the Executive Board, a number of Commissions for the several areas of competence assigned them, and a professional Director-General and Staff. Under Article 75, each member has one vote, and with certain exceptions, a majority vote is determinative. Under Article 78, an Executive Board of 18 is to be elected by the Conference, and again, each member has a vote, and a majority controls. It is implied, but not assured, that this country will be represented on the Executive Board.

"Conclusion III

"Thus it is merely realistic to assume that, in issues reflecting divergence of interests between 'creditor' and 'debtor' nations, we would stand alone, and that in issues reflecting controversies between mature and 'underdeveloped,' or 'war-damaged' and intact economies, we would have only minority support, in either the Conference or the Executive Board. As significant divisions along these lines developed both at Geneva and at Havana, their recurrence is fairly likely."

Would we know what we were signing? Are the commitments clearly defined? The report says:

"In the words of its chief sponsor, Mr. W. L. Clayton, 'The Charter is complicated and difficult. It is long and detailed and technical.' This statement cannot be questioned, except possibly as an understatement. Hence it is quite possible to reach varied evaluations of its component parts, and of the document as a whole. This being the case, it is helpful to state the criteria we have used in developing our conclusion.

"The prime criterion to be applied to a diplomatic document, in judging its usefulness, is that of *clarity* and *definiteness*. The real degree of agreement reached in negotiations inevitably controls, and is reflected in these qualities in the papers which emerge.

"Conclusion IV

"From a reading of the Havana Charter, no one proficient in the use of the written word or its interpretation can escape the conviction that, as to much of the content of the Charter, no real agreement was reached, nor is it wise to assume any better luck in the councils of the Organization, so long as world conditions of current severity prevail."

Such being the case, many disputes are bound to arise. The report deals at length with procedures for settling disputes, in terms suitable for the legal mind only, and then says:

"The document is so deficient in precision and clarity in many of its substantive stipulations as to suggest that in these respects at least, no reliable agreement was reached. The inevitable result of obscurity and

vagueness is uncertainty in interpretation and application, and ultimately dispute and disagreement. The significance of this is apparent, for example, as related to the question whether an amendment to the Charter does or does not involve an alteration in a Member's obligations.

"Conclusion V

"Your Committee feels that the Havana Charter, as presently drawn, contains real potentialities for differences in interpretation and application, and that the procedures for reconciliation and adjustment of such differences are not wholly adequate or reliable. It further feels that the variety of dispensations permitted to be granted by the Organization will operate in our disfavor, and reduce substantially the definitive character of the commitments which this country might regard as inducements to adhering to the Charter. Your Committee further feels that the stipulation regarding amendments to the Charter is unsatisfactory and cannot be recommended, on constitutional grounds."

In view of the power the International Trade Organization would have to influence the distribution of the world's wealth, the report goes deeply into those provisions of the Charter which are intended to affect the international flow of capital funds and the ways of thinking that inspired them. It takes up Chapter III, entitled "Economic Development and Reconstruction," and says:

"Article II has two interesting commitments. 'Facilities' are defined to include:

"'capital funds, materials, modern equipment and technology and technical and managerial skills.'"

"It is then stipulated:

"'(a) Members shall cooperate, in accordance with Article 10, in providing or arranging for the provision of such facilities within the limits of their power, and Members shall not impose unreasonable or unjustifiable impediments that would prevent other Members from obtaining on equitable terms any such facilities'"

"This stipulation, it would seem, implies a degree of government activity that might be questioned by those who regard such "facilities" as property and traditional characteristics of private enterprise.

"'(b) no Member shall take unreasonable or unjustifiable action within its territory injurious to the rights or interests of nationals of other Members in the enterprise, skills, capital, arts or technology which they have supplied.'"

"Experienced foreign investors may be tempted to comment that they have seldom been subjected to action by a foreign government which that government did not assert was reasonable and justifiable, and that if this commitment is of value, it must be implemented by some provision for impartial review or diplomatic procedure.

"Conclusion VI

"The protection provided for such capital under the Havana Charter is not, in the opinion of those most intimately concerned, adequate or acceptable. It is not as reliable as that afforded, without specific engagements, under rules of international law which are recognized fairly extensively. It is certainly inferior to such explicit engagements as are found in bilateral treaties of commerce and amity. It may be predicted that the mere *ad referendum* recognition in the Havana Charter of such an inferior status will be an impediment to the negotiation of satisfactory stipulations on the subject in bilateral agreements, several of which are now in process.

"The adherence of this nation to the Charter, without reservations on these chapters or at least certain of its articles, would make this impediment almost insuperable. The situation thus created would be not merely a lack of inducement, but a positive deterrent, to the flow of private American investment funds abroad.

"It would be unrealistic to pretend that satisfactory inducements can be negotiated for the provision of 'facilities' by private entrepreneurs, while the impression persists that their substantial equivalent (or more) will be provided by government, on less exacting terms or freely, from political motives."

On the general subject of the world's confusion between public and private capital, or between, on the one hand, Marshall Plan and lend-lease dollars, and, on the other hand, American investment, the report continues:

"This assimilation of private and public activities ignores the reality that the provision of public funds, as by intergovernmental loans, is seldom what we understand as 'investment.' The history of our government's 'financial assistance' during and since the war, should make this point clear beyond the necessity of specific examples; but they are available.

"The unfortunate fact is that the liberality with which this nation's resources have been placed at the disposal of foreign countries, and particularly of their governments, not only during the actual hostilities but in the three years since, has accustomed not only foreign governments, but many of our officials, to think only in those terms, and to regard such a situation as normal. The essential vice of these chapters is that in the aggregate, they reflect this attitude almost to the exclusion of sounder and saner concepts. However attractive we may consider the prospect of providing, out of our tangible and intangible resources, those 'facilities' required to bring other countries' economies up to levels comparable to our own, and avoiding unemployment anywhere in the world, we should hesitate about having that broad assignment put upon us as a duty, and permanently.

"The permanent solution lies only in the increased effectiveness of the less efficient economies. In this slow process, the provision of otherwise unavailable facilities by private foreign investment has, in general, been con-

structive, whereas the resort to noncommercial measures such as intergovernmental loans, has been not only futile in itself, but has automatically excluded private development in comparable fields.

"Conclusion VII

"We do not insist that other nations adopt our pattern of capitalistic economy, to the exclusion of social experiment; but we see no reason, on the basis of results achieved, to adopt their concepts, or obligate ourselves to provide the resources for their experiments. This should be our attitude, and it is not reconcilable with the fundamental approach of this portion of the Charter."

The social features of the Charter run in Chapters II and III, and of these the report says:

"In general, the fourteen articles (2-15 inclusive) making up these two chapters have no recognizable antecedents in the prewar period, at least in orthodox American economy. The primary postulate of:

"*'the avoidance of unemployment or underemployment'*

"and the sustaining of employment levels, by governmental action is the motivation of Chapter II. The fallacy of the 'export of unemployment' is implicit in the provision of Article 4 which requires any nation having a 'persistent maladjustment' in its own balance of payments to

"*'make full contribution'*

"to the difficulties which such 'maladjustment' creates. Obviously, the application is to this country's excess of exports and resultant dollar shortages, but what the 'full contribution' is, is left undefined.

"Conclusion VIII

"But the necessary implementation of this vague commitment presupposes planned international economy coextensive with the commitments. This commitment is one which this nation cannot undertake in good faith, and should not offer on any less basis."

Applying a criterion which it calls *competence*, the report concludes with these general observations:

"If we favor the adherence of this country to the Charter (in spite of its deficiencies) it must be in the belief that the Trade Organization will be moderately effective in discharging the responsibilities it is to assume. In the first place, its prestige and influence will be considerable, so long as this country and other important trading nations honestly strive for multilateral collaboration in trade matters, and only so long. But in specific areas, this collaboration does not now exist, nor is it possible to predict that it will exist—except for the unusual stimulation of American resources marshalled by our government.

"To put it in reverse, the test of 'competence' of the Trade Organization will come not at the beginning of our European Relief, but at the end. If our program of

assistance works, the stresses and conflicts of the current economic situation will be relieved; if it does not work, no mere mechanisms of consultation and no magisterial prerogatives assembled in the Trade Organization will be adequate to correct the trend to insulated and deteriorating national economies. Hence it is premature to judge in general terms of the effectiveness of this agency. We can, however, venture on several conclusions in specific areas.

"Conclusion IX

"It is extremely doubtful whether the Trade Organization can itself do much in the way of promoting economic or industrial expansion. It is likewise dubious whether its contribution to the policing (or elimination) of restrictive business practices will be substantial. On the other hand, the Organization could, and presumably would, do a fairly acceptable job of regulating international commodity agreements—assuming this type of economic adventure is to be persisted in by this government."

Advocates of the Charter continually ask: "If not that, what else?" The report meets that question:

"If we find the disadvantages or objections to the Charter insuperable, or merely not outweighed by its advantages, we must examine the alternatives. First, we are told that the alternative is 'economic chaos.' This is oversimplification, with its attendant errors. We do have conditions in international trade which suggest the word 'chaos,' but they are not universal; in any event, there is no reliable indication that their elimination or persistence is dependent upon or related to our adherence or nonadherence to the Havana Charter. It is probably correct to conclude that, without adherence of this country, the Havana Charter is an impossibility.

"This nation has already had to resort to alternatives to the multilateral accord and 'specialized agency' approach set up by the United Nations. Although the Fund and Bank have been set up for some years, we have necessarily resorted to unilateral action and bilateral diplomacy in monetary and financial matters, as occasion arose. The provision of billions of dollars worth of goods, both consumer goods and capital assets, and of the resources to procure them from each other, under the Marshall Plan, is obviously a temporary expedient, but in a sense a complete alternative to multilateral trade—since 'trade' implies exchange or payment, and the Marshall Plan does not. And this is, of course, an alternative that we have already adopted as to Europe, or more precisely western Europe.

"Conclusion X

"But even more, it seems, may be accomplished by a frank resort to bilateral negotiations on traditional lines with such nations as we find to be really 'like minded' with ourselves. If they are not 'like minded' to the point of concluding satisfactory bilateral engagements, they should not expect financial favors of the order bestowed on those countries which are."

ITO Spells a Planned World

By Elvin H. Killheffer

(Dr. Killheffer, a distinguished economic consultant, was a member of the United States delegation to the Havana Conference, where the International Trade Organization Charter was finished.)

IN discussing the Havana Charter we are no longer talking about the lofty and somewhat nebulous general objectives originally announced as the purpose of the International Trade Organization. What we are now appraising is one of the most important contracts or treaties ever negotiated.

First of all a centralized international agency of this sort can introduce a planned economy for the world. Why should the United States favor an idea so contrary to its own historical experience?

The whole of the Charter is a vast invasion of the private enterprise principle. All of the obligations, in fact all of the provisions, are directed to what Members shall or shall not do or what exceptions or escapes Members may use.

Members are governments in every case. Therefore, the Charter is a master plan for the conduct of international trade by governments or, worse still, a supergovernment, an international bureaucracy. While the United States Department of State proposed it, the people of the United States who are engaged in production of its wealth still strongly believe in private enterprise.

How, then, explain this paradox?

The fact that a group in the United States made the original proposals for the International Trade Organization only proves that we have our full share of those who believe they have the wisdom and comprehension to plan for the whole world.

There is little, if anything, in the Charter that would indicate a continued belief in private enterprise, whereas throughout the document are the doctrines of a planned economy.

Despite the history and experience of the United States and its unequalled record of achievement under freedom, private initiative and private enterprise, the Charter for the International Trade Organization gives the minimum of lip service to these proved successful doctrines, whereas it accepts and provides for the spread of the doctrines of socialism.

If we in the United States believe that the function of governments should be to plan, operate and control the operations of capital, credit, trade, national resources and means of production, then we should favor the Charter.

If we are faithful to the principles that have made the United States outstanding, then we should reject it.

Bugs in the Voice of America

By George V. Allen
Assistant Secretary of State

(From *The Department of State Bulletin*, November 7, 1948)

The State Department got a very red face last year when Congress asked to see what its Voice of America was saying on the air of the world. Several sample radio scripts were produced from its files, and on reading them Congress was scandalized. Was that what the taxpayers' money was being spent for? Was that what the world was learning about the United States? The State Department promised to reform its editorial procedure so that such a thing could never happen again and the furor happily died away. Now the State Department tells the story in its own way, and makes the naive point that what caused all the trouble was discovered by an awkward accident. If the terrible Representative Taber's investigator had asked for the radio scripts of another date, instead of the ones he did by chance ask for out of the files, "the series which led to the investigation might never have come to light." In that case, Congress, which does not hear the Voice of America, would never have known that the State Department had broadcast to the world such ideas, true or untrue, as that Texas was born in sin and that New England was conceived in hypocrisy.—Editor.

THE Smith-Mundt Act recognizes in legislation the fact that information about the United States and explanations of our policy are an integral part of the conduct of foreign relations. The act is the guidebook for our activities at the present time.

The act was signed in January of this year. Almost immediately thereafter, several committees of the Congress began a series of investigations of our operation. Members of the House Committee on Appropriations discovered the fact that certain broadcasts in the Spanish language were being beamed to South America, giving alleged background of a very curious sort about the United States. The broadcasts were a series of programs, fifteen minutes every Wednesday, called "Know North America."

That series happened to come to light by pure chance.

An investigator of the House Appropriations Committee, acting for Representative Taber, asked to have a look at some sample scripts which the Voice of America was sending out. He picked up a calendar and said, "You can choose your date—

send over scripts for either the 15th, 16th or 17th of February." The person who had handled the request selected entirely by chance the 15th of February. He could have selected the 16th or the 17th. The Know North America series, which goes out only once a week, happened to go out on that 15th.

If the 16th or the 17th had been chosen, the series which led to the investigation might never have come to light.

Undressed and Unfeathered

The subject of the February 15 script was Wyoming. It referred to Indian maidens running foot races "undressed and unfeathered." This led to prompt demands for scripts on other states. The one on Texas included a remark by a South American tourist, quoting a passage from John Gunther's *Inside U.S.A.* to the effect that Texas had been born in sin and New England conceived in hypocrisy.

Both Houses of Congress made an immediate demand for investigation of why this type of program was going out, particularly to find out whether the persons who were sending out this kind of misrepresentation of the United States were merely careless, whether they thought they were amusing, or whether there was a deeper subversive significance in it. Several committees vied with each other for the privilege of holding the hearings. Both the House Committee on Executive Expenditures and a joint committee of the Senate Committee on Foreign Relations and on Executive Expenditures held investigations. Reports issued at the close of those investigations pointed the finger quite properly at the Department of State for not having adequately supervised the programs.

The truth of the matter was that the programs were written in Spanish, and nobody in the Department of State had translated them or, in fact, even knew what was in them. One might ask, "How in the world did a situation of that sort come about?"

During the evolution of the legislation it was thought that private industry would not undertake an extensive short-wave information program because it was not commercially feasible. Government money, therefore, had to be voted for it to be done. Congress stated clearly that private industry could

do a better job than government and could do it more efficiently and more effectively. The State Department, therefore, was put under strict instructions to use private industry for short-wave broadcasting to the maximum extent feasible.

The legislation made provision for contracts to be made with private broadcasting agencies (NBC and CBS) that would carry on about 70% of the broadcasting, including all the broadcasting to Latin America. The State Department undertook to do about 30% itself, including all the broadcasts beamed to the Iron Curtain countries of central and eastern Europe. Those were the more delicate areas, and the script writer had to be in immediate contact with the policy of the government and had to have inside information in order to be able to do the job. The private companies recognized the heavy responsibility of broadcasting into that area. If they said something that was not in accord with policy or with facts, they might cause great mischief. They were happy to have the State Department undertake the responsibility for Iron Curtain broadcasting.

The Know North America series was one of the broadcasts being done by NBC under contract with the Department of State. Taxpayers' money was being used to pay for it, but considerable honest difference of opinion arose between the private broadcasting companies and the representatives of the Department of State regarding the extent of the Department's responsibility for supervising those programs.

Some officials of the commercial companies said, in all honesty, whenever the question of State Department supervision arose during the past year, that the government did not know how to run a broadcast, that private companies had had great experience in broadcasting and had built up through private initiative and energy the great American broadcasting systems and knew a lot more about this than the government. They pointed out that Congress had shown its recognition of this fact when it had required by law that private industry be used to the greatest extent possible.

All's Well That Ends Well

The chief advantage of the investigations which Senator Ferguson and his committee held was to clarify the question of responsibility beyond any doubt. The Senator indicated that if taxpayers' money was involved, the State Department had full responsibility for supervision. But whenever we went to the National Broadcasting Company or the Columbia Broadcasting Company and said their scripts were not telling the proper story about the

United States and that we felt we should blue-pencil this or that, they were naturally inclined to cry "censorship." They pointed out that the United States Government spends taxpayers' money to buy *The New York Times* every day for our official United States libraries abroad, but we do not tell the *Times* what to say in its columns or editorial page. Most of our libraries have John Gunther's book, from which the objectionable passages were quoted. Should they tear out the offending pages?

As a result of the investigations, the private companies are now telling us:

"All right, you win. We recognize now that the Congress considers the State Department to have full responsibility for every word that is said over Voice of America programs, whether those programs are written by the State Department or by a private agency. Congress says that since taxpayers' money is involved, we can't hide behind the skirts of any provision of the law stating that private companies can broadcast more effectively than the government. We now recognize what Congress wants you to do about it. But if that is the way it is, we don't want to have anything more to do with it."

Take Your Program Back

So they came to us on July the first and said: "Please take this program back. We don't want to have it any more."

Many people have asked the Department whether it plans to increase the Voice of America program in the light of the world crisis. In reality, the Department has more interest in improving the programs that it has, in making them good, hard-hitting, solid, effective programs, than in using, for example, more languages such as Vietnamese, Siamese, Indonesian, Malayan, Pushtu and Hindustani.

It has been pointed out that the Department of State could get ten times more listeners to the Voice of America broadcasts if entertainment were featured. The Congress of the United States, however, did not appropriate money for the purpose of entertainment. The Department would have an endless job if it undertook the task of entertaining the two billion peoples of the world. The Voice of America, therefore, does not include programs of dance records and other forms of entertainments. Its principal job is one of information.

WHAT is a communist? One who hath yearnings

For equal division of unequal earnings.

Idler or bungler, or both, he is willing

To fork out his copper and pocket your shilling.

—*Ebenezer Elliott* (1831).

The Civil Right To Advocate Murder

An almost forgotten Congressional document is House Report No. 2290, entitled "Investigation of Communist Propaganda." It was the work of a special committee appointed to study subversive activities in the United States. On January 17, 1931, it was submitted to the "Committee of the Whole House on the State of the Union," and ordered to be printed. The following excerpt is an indictment of the American Civil Liberties Union, which is flourishing still under the leadership of the same Roger N. Baldwin.—Editor.

THE American Civil Liberties Union is closely affiliated with the communist movement in the United States, and fully ninety per cent of its efforts are on behalf of communists who have come into conflict with the law.

Roger N. Baldwin, its guiding spirit, makes no attempt to hide his friendship for the communists and their principles. He was formerly a member of the I. W. W. and served a term in prison as a draft dodger during the war. This is the same Roger N. Baldwin that has recently issued a statement "that in the next session of Congress our job is to organize the opposition to the recommendations of the congressional committee investigating communism." In his testimony before the committee he admitted having said at a dinner held in Chicago that "The Fish Committee recommendations will be buried in the Senate." Testifying on force and violence, murder, etc., the following is quoted:

The CHAIRMAN. Does your organization uphold the right of a citizen or alien—it does not make any difference which—to advocate murder?

MR. BALDWIN. Yes.

The CHAIRMAN. Or assassination?

MR. BALDWIN. Yes.

The CHAIRMAN. Does your organization uphold the right of an American citizen to advocate force and violence for the overthrow of the government?

MR. BALDWIN. Certainly; in so far as mere advocacy is concerned.

The CHAIRMAN. Does it uphold the right of an alien in this country to urge the overthrow and advocate the overthrow of the government by force and violence?

MR. BALDWIN. Precisely on the same basis as any citizen.

The CHAIRMAN. You do uphold the right of an alien

to advocate the overthrow of the government by force and violence?

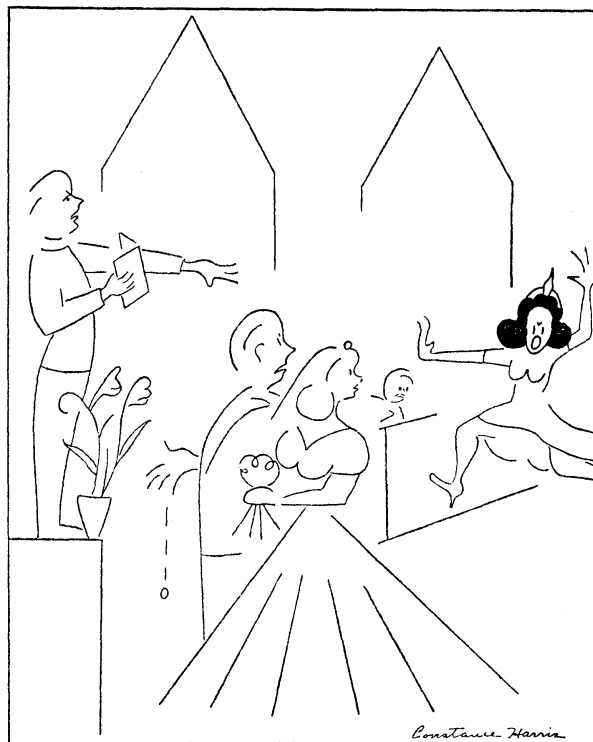
MR. BALDWIN. Sure; certainly. It is the healthiest kind of thing for a country, of course, to have free speech—unlimited.

The American Civil Liberties Union has received large sums from the Garland fund, of which Roger N. Baldwin is one of the directors. During the trial of the communists at Gastonia, not for freedom of speech, of the press, or assembly, but for a conspiracy to kill the chief of police, of which seven defendants were convicted, the A. C. L. U. provided bail for five of the defendants, amounting to \$28,500, which it secured from the Garland fund. All of the defendants convicted jumped their bail and are reported to be in Russia.

A committee of the New York State Legislature, back in 1928, reached the following conclusion in regard to the American Civil Liberties Union:

"The American Civil Liberties Union, in the last analysis, is a supporter of all subversive movements; its propaganda is detrimental to the interests of the State. It attempts not only to protect crime but to encourage attacks upon our institutions in every form."

Your committee concurs with the above findings.



"... why the union of this man and this woman should not lawfully take place, let him speak now, or—"

"I object. He's discriminating against me because he prefers blondes."

Socialism

Save the King

THE resolve of the Socialist government of Great Britain to nationalize the British steel industry was announced with pomp and circumstance as follows:

(From the news columns of the London Times)

"Both were arrayed in the full magnificence of the royal Parliament robes of crimson velvet, with long trains, which four pages, in scarlet coats and white breeches, carried behind them. For the first time for 10 years the great jewels of the Crown flashed over the King's brow—not of course the Crown placed on his head by the Archbishop in the Abbey for that by a historical fiction is treated as a relic of St. Edward himself, which may not be worn outside the consecrated precincts, but the Imperial State Crown, of much greater visible splendor though of no historic association. The Queen is provided with no such secondary crown, and wore in her hair a diamond tiara. Over her left shoulder passed the blue riband of the Garter, and her white crinoline skirt glittered with golden embroidery.

"All rose and bowed or curtsied as the King handed the Queen to her throne, and seated himself on her right, while the pages arranged the velvet trains in undulating stripes of crimson stretching to left and right down the steps. 'My lords, pray be seated,' the King said, and then paused a few moments till Mr. Speaker, attended by the Serjeant at Arms and followed by the Prime Minister and other members of the House of Commons, appeared at the opposite end of the Chamber and took his place, standing at the Bar. The attendant dignitaries grouped themselves on the King's right, the Queen's ladies on her left; and in the accustomed form the Lord Chancellor, wearing his state robe of black and gold, knelt on the steps of the Throne and handed the King the text of the Gracious Speech. He withdrew, not without apparent anxiety for his trailing garments, backwards down the steps, and the King read the Speech.

"After the reading of the speech, the Lord Chancellor knelt again to receive back the manuscript. The heralds began at once to move away through the door by which they had entered; and, as the procession re-formed behind them, the King rose, taking the Queen's hand, and, bowing to right and left in acknowledgment of the obeisances of the company, departed in the same stately calm with which he had arrived. The whole ceremony had been completed in little more than a quarter of an hour; and from first to last no sound but the King's voice had been heard."

The King's voice said:

"A measure will be laid before you to bring under public ownership those companies extensively engaged in the production of iron ore, or of pig iron or steel, or in the shaping of steel by a rolling process."

The Kiss of Death

From Winston Churchill's speech against the bill to socialize the British steel industry

THERE was that great day—I may remind the Prime Minister of it—at the time of Dunkirk, when the House of Commons, with a Tory majority of 150 over all other parties combined, laid on the altar of national safety and victory all private rights, privileges, interests, and powers, and confided to the Executive, in a single Parliamentary day, the entire control and disposition of the rights and privileges of every family in the land. It is a base and melancholy sequel to such an episode as I have described that sacrifices so readily offered and made by a Conservative Parliament should be exploited in peacetime in the sectional interests of Socialist factionaries anxious to prolong their enjoyment of the sweets of office and have more patronage to distribute to their backers and friends.

How will the Minister, or his successor, treat the minor industries, or the spiv industries as he will probably soon be calling them in the jargon of Socialism, if they become inconvenient as rivals? The Minister has spoken about them in honeyed terms. But who is so gullible as to believe that a Socialist industrial commissar—that is what they are creating—will tolerate any competition by inconvenient rivals? He has them at his mercy. By a stroke of the pen he can deprive them of the raw material by which they live; he can threaten and coerce them to any extent. Very great pressure can be applied or threatened. His kind remarks of yesterday are about as refreshing to the minor firms as the kiss of death.

Today the Socialists boast that they are the opponents of Communism. Socialist parties in every European country have been found altogether inadequate barriers against it; indeed, as the Bill shows, they are the handmaids and heralds of communism. They prepare the way at every step for its further advance. Communist textbooks are full of that theme.

Of the difference between socialism and communism I said a good many years ago that a strong dose either of socialism or communism would kill Britannia stone dead, and at the inquest the only question for the jury would be:

Did she fall or was she pushed?

This is not a bill, it is a plot.

It is not a plan to increase production but rather in effect at any rate an operation in restraint of trade.

It is not a plan to help our patient, struggling people but a burglar's jimmy to crack the capitalist crib.

Luck of the Demagogue

Reflections on the Quarrel Between the Banks and the Insurance Companies

By Joseph Stagg Lawrence

Vice President of the Empire Trust Company

IN the pantheon of deities functioning in some Olympian abode there must be one whose special concern is the welfare of politicians. For it is to some such celestial intervention that the present dogfight between insurance companies and banks regarding inflation responsibility must be attributed. At the crest of the greatest price-rigging operation in history, deliberately contrived by politicians to protect their positions and preserve their power, spokesmen for banking accuse insurance companies of feeding the fires of inflation, which the latter promptly toss back with appropriate statistics and damaging sound effects.

In the face of bumper crops calculated finally to bring tardy relief to sorely pressed consumers, Congress, in the closing hours of the 80th session, extended for another year a special set of price rigs for the benefit of an agriculture which had enjoyed unprecedented prosperity for almost a decade. It extended and in the special session substantially increased housing credits which could not be justified even remotely on any sound banking or value basis. The purpose was to fortify personal and party positions during the coming presidential campaign.

When militant labor, enjoying legally protected monopoly power, backed business into a corner with demands for further wage increases, it was clearly intimidated by high political sources that this was no time to jeopardize the flow of production. In Europe the emissaries of the Department of Agriculture are importuning the recipients of American aid to devote large sums for the purchase of American food which they do not now need. Purpose—to check the decline in the high cost of food and keep the farmer under obligation—political—to the party in power.

Although these shallow operations were predicated on the economic illiteracy and natural gullibility of the voter, their meaning finally became sufficiently clear to enough people to bring down upon the head of a collective Congress a mass of protesting mail. The American housewife was beginning to ask embarrassing questions about the price of potatoes. She could understand how the purchase of \$29 million of potatoes by the government with her money would keep prices high. It was difficult

for her to see how a rise in the reserve requirements of banks could relieve the pressure of high meat prices on her purse.

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It was at this point that providential intercession appeared from a most unexpected source. The very victims of the Congressional midsummer hocus pocus—the banks—smarting under “corrective” burdens which had no more relation to the price of potatoes than the crease in Mr. Truman’s pants, found a cause of inflation which took our hard-working statesmen off the hook.

The substantial loans by insurance companies to business had already invited scattered sniping by some bankers against this purported invasion of an exclusive credit dominion over which they had always presided. It was not until late summer that a Big Bertha, in the form of an editorial in *The American Banker*, sounded off against the insurance companies. Let’s look at the explosion. The editorial is entitled: “Flirting With Federal Regulation.”

“The life insurance companies of the United States have been playing a very dangerous game. They apparently do not know how dangerous it is. If they did they would stop. It is dangerous because it risks and invites legislation by Congress that would bring their investment operations under Federal Government supervision and regulation.

“The game is a simple one. It consists of selling United States Treasury securities and investing or lending the proceeds as industrial capital at today’s artificially low interest rates. Thereby they get a slightly higher interest rate than the yield on the government securities—and contribute to the continuance of the artificially low level of interest. Thereby they contribute crazily to the inflation spiral.”

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It must be stated emphatically that these views are not the views of the American Bankers Association or, so far as we know, of any official banking body. Indeed to many individual bankers they proved as disturbing and as mischievous as they did to insurance company executives.

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The resentment of insurance men was not long in finding an outlet. Thomas L. Parkinson, president of the Equitable Life Assurance Society, picked up the gage of battle. Regarding the editorial in *The American Banker*, Mr. Parkinson said the writer was “either uninformed of what has been going on for a good many years in this country or has deliberately drawn a red herring over the banking trail.” He charged that the accumulation of gold by the Federal Reserve Banks and the purchase of government bonds made reserve credit available to the commercial banks which they in turn were able

to multiply fivefold. As a result of this, he continued, there had been an increase of \$20 billion in the money supply since the end of 1945.

In a letter to 2,000,000 policyholders of the Equitable, its president said:

"The cost of life insurance and its value depend on the quantity of money and its effect on prices. Federal Reserve support of government bond prices inflates our money supply—now \$170 billion compared with \$150 billion on January 1, 1946. The effects of this policy for you are: 1. Low interest rates which decrease your dividends and increase the cost of your insurance, and 2. High prices which increase the cost of administering your Society and decrease the purchasing value of the dollar paid to beneficiaries.

"YOU can do something about it."

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The emphasis on the monetary side of the price equation precipitated by this three-cornered controversy among insurance companies, commercial banks and Federal Reserve Banks is unfortunate in that it deflects public attention from the real culprits and directs it to elements which in the evolution of a price level are passive or at best merely provide adjustments for the more primary inflation causes.

The end of the war made it necessary to fill civilian pipe lines which were practically empty and establish comfortable inventories for primary producers, intermediate processors and end-of-the-line distributors. Working capital was subjected to immediate strain and it was necessary for the open capital market, the banks and the insurance companies to come to the aid of business.

The dimension of this effort is indicated by outlays in 1947 of \$16.2 billion for plant and equipment, approximately three times the corresponding investment in 1939. Surplus earnings, the open capital market, the insurance companies and banks all played their part in making this productive improvement possible.

Without the huge volume of output which this financing made possible, it is certain the American economy would now be in a strait jacket of allocation, rationing, widespread scarcities, suffocated by red tape and exasperated by time-consuming form-filling. We would not be able to combat communism with European aid or help the great "liberal democracies" in imposing socialism upon their own people.

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The capital and credit provided American enterprise during this period was used almost without exception in raising output. In the price equation its whole force was applied to an increase in production, the effect of which is to check and not stimulate a rise in prices. We know of no bank or insur-

ance loan used to keep wheat or cotton or flaxseed or eggs or citrus fruit off the market in order to permit the producer to realize a higher price.

The major effect of private postwar financing has been to increase the supply of goods, its dominant motive to keep prices low. The major effect of government credit applied in the commodity markets has been to limit the supply of goods, its dominant motive to keep prices high. Banks and insurance companies have used their capital and credit constructively to benefit their owners and borrowers. The government has used its revenues, the contributions of taxpayers, to raise the living costs of those same taxpayers and undermine the value of their savings.

The controversy between banks and insurance companies over the relative inflationary responsibility of their credit practices is unfortunate in that it permits the political culprits to duck and utilize instead two scapegoats, each of whom provides a damning indictment against the other.

As a result of this squabble it is no longer necessary for an office-hunting statesman to devise far-fetched remedies for high hamburger. He needs merely to quote *The American Banker* against the insurance companies and Mr. Parkinson against the banks.

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It enables Senator Claghorn and Congressman Blunderthump to wag solemn heads and opine that the credit restrictions imposed during the summer session did not go far enough. Since the sale of government bonds by owners who bought them without any notice of limitation in disposition are so affected with inflationary import, the right to sell, whether by insurance companies or banks, should, in the public interest, be restrained.

If these securities may be subject at some time to limitations on the freedom of sale, limitations to be determined by political considerations, then they become questionable components in a portfolio. If such legislation is to be seriously considered, it may be assumed it will apply not only to insurance companies but also to banks. The effect upon prudent investment thinking can be easily anticipated.

Furthermore, nothing would please the regulatory authorities and the Treasury more than the right to supervise the portfolios of insurance companies and banks. It would give the finance minister a secure place in which to park the obligations of his government and vastly simplify the use of the public debt for a limitless variety of international and domestic boondoggling.

The irritated leaders of both banking and insurance who have nagged each other into public dispute will do well to consult their own real interest and terminate this misleading pot-and-kettle diagnosis of inflation.

Review

Lord Acton

Seer of Liberty

"Essays on Freedom and Power by Lord Acton." Preface by Herman Finer; introduction by Gertrude Himmelfarb. Beacon Press, Boston.

"As Lord Acton Says," by F. E. Lally. Remington Ward, Publisher, Newport, Rhode Island.

IT was Lord Acton who said: "Power tends to corrupt and absolute power corrupts absolutely." This profound and luminous maxim, which in the field of political thought has the action of a tracer bullet in the night, is quoted by many who could not tell you who Lord Acton was, what he wrote, or upon what else, if anything, his fame now rests. Very few people could tell you in what book or essay those words occur. In fact, they will be found in no book or essay, but in a letter to Mandell Creighton, a bishop of the Church of England, about a review Lord Acton wrote of the bishop's "History of the Papacy During the Reformation." The complete thought reveals perhaps more of Lord Acton's mind than any other single passage in all his works. It was this:

"Power tends to corrupt and absolute power corrupts absolutely. Great men are almost always bad men, even when they exercise influence and not authority: still more when you superadd the tendency or the certainty of corruption by authority. There is no worse heresy than that the office sanctifies the holder of it. That is the point at which the negation of Catholicism and the negation of Liberalism meet and keep high festival, and the end learns to justify the means. You would hang a man of no position, like Ravallac; but if what one hears is true, then Elizabeth asked the gaoler to murder Mary, and William III ordered his Scots minister to extirpate a clan. Here are the greater names coupled with the greater crimes. You would spare these criminals, for some mysterious reason. I would hang them higher than Haman, for reasons of quite obvious justice; still more, still higher, for the sake of historical science."

Lord Acton wrote very little. He conceived a monumental project. It was to have been *the History of Liberty*. Toward the execution of it he created one of the rare libraries in the world, read and annotated 20,000 books and manuscripts, filled hundreds of filing cases with notes—and then never wrote it. It is sometimes referred to as the greatest book that was never written. One explanation is that an austere intellectual intention was frustrated by despair over the imperfections of historical material. Another is that what he said of Johann Von

Döllinger—that "he knew too much to write"—was an unconscious statement of his own case. It may be simply that he was defeated, as other great minds have been, in quest of the absolute answer, and had the hardihood of humility to tell himself so. He winnowed the political wisdom of the race since antiquity for definitions of liberty, and found several hundred worth recording, but apparently not one that had that finality of truth that could make it imperative in all circumstances. Liberty, he was sure, belonged to the spiritual nature of man, and its tragic vicissitudes could be so explained. "The tyrants," for example, "were often men of surprising capacity and merit," and also he could imagine conditions in which "slavery itself is a stage on a road to freedom." One of the great obstacles to the growth of liberty, or to the understanding of it, was always the confusion touching its true meaning. "This wealth of interpretations," he said, "has caused more bloodshed than anything else except theology."

What was the baffling question? It was this: How shall liberty be reconciled with restraint? In order to be free man must also obey. What shall he obey? If you say he must obey the law, you put it only one step away. Who shall make the law? If the few impose law upon the many there is no liberty. Pericles, who created in Athens the first promising republic, held it to be intolerable that one portion of the people should be required to obey laws which others had the exclusive right to make. On the other hand, when government becomes the instrument of the absolute will of the majority, you have tyranny of another kind. It is then that "democracy expands into the supremacy of numbers." On this Lord Acton wrote:

"It is bad to be oppressed by a minority, but it is worse to be oppressed by a majority. For there is a reserve of latent power in the masses which, if it is called into play, the minority can seldom resist. But from the absolute will of an entire people there is no appeal, no redemption, no refuge but treason."

Pericles, he says, solved the problem temporarily by making "the undivided people sovereign; but he subjected the popular initiative to a court of revision, and assigned a penalty to the proposer of any measure which should be found to be unconstitutional. Athens, under Pericles, was the most successful Republic that existed before the system of representation; but its splendor ended with his life."

What happened then? Why did liberty fail in Athens? Lord Acton says:

"An unparalleled activity of intellect was shaking the credit of the gods, and the gods were the givers of the law. It was a very short step from the suspicion of Protagoras, that there were no gods, to the assertion of

Critias that there is no sanction for laws. If nothing was certain in theology, there was no certainty in ethics and no moral obligation."

What did liberty mean to Acton? He said:

"By liberty I mean the assurance that every man shall be protected in doing what he believes to be his duty against the influence of authority and majorities, custom and opinion."

And again he said:

"The proper name for the rights of conscience is liberty."

From all of Acton's writing, Lally distills the essences that are vital to the life of liberty, and they are these:

"At least five conditions, Acton says, must be met by a people in order to preserve their freedom. *First*, they must never surrender their destiny to any power they cannot control, that is, they must, in spite of all temptation to the contrary, keep the government 'so constitutionally checked and controlled, that proper provision is made against its being otherwise exercised.' *Secondly*, they must never cease to participate in the general government: 'for the free classes can only hold their own by self-government; that is, by some kind of participation in the general government.' *Thirdly*, in the government under which they live there must always be a division of power; for 'liberty depends on the division of power.' *Fourthly*, their government and themselves must, notwithstanding much evil and injustice, which reforms rather than revolution can best diminish, persist to tolerate the existence of private property; for 'a people averse to the institution of private property is without the first element of freedom.' *Lastly*, their government must remain 'so exercised that the individual shall not feel the pressure of public authority, and may direct his life by the influences that are within him and not around him.'"

Lastly, therefore, it is conscience. The governed must at the same time govern themselves, not by passing laws but by reference to a law of conscience within themselves, which is the supreme law and the proper inspiration of constitutions. It is illuminated in one of Acton's fine religious passages:

"All that Socrates could effect by way of protest against the tyranny of the reformed democracy was to die for his convictions. The Stoics could only advise the wise man to hold aloof from politics, keeping the unwritten law in his heart. But when Christ said: 'Render unto Caesar the things that are Caesar's and unto God the things that are God's,' those words spoken on His last visit to the Temple, three days before His death, gave to the civil power, under the protection of conscience, a sacredness it had never enjoyed, and bounds it had never acknowledged; and they were the repudiation of absolutism and the inauguration of freedom. For our Lord not only delivered the precept, but created the force to execute it. To maintain the necessary immunity

in the one supreme sphere, to reduce all political authority within defined limits, ceased to be an aspiration of patient reasoners, and was made the perpetual charge and care of the most energetic institution and the most universal association in the world. The new law, the new spirit, the new authority, gave liberty a meaning and a value it had not possessed in the philosophy or in the constitution of Greece or Rome before the knowledge of the truth that makes us free."

The application of liberty to everyday life takes the form of an argument:

"Now liberty and good government do not exclude each other; and there are excellent reasons why they should go together. Liberty is not a means to a higher political end. It is itself the highest political end. It is not for the sake of a good public administration that it is required, but for security in the pursuit of the highest objects of civil society, and of private life. Increase of freedom in the state may sometimes promote mediocrity, and give vitality to prejudice; it may even retard useful legislation, diminish the capacity for war, and restrict the boundaries of empire. . . . A generous spirit prefers that his country should be poor, and weak, and of no account, but free, rather than powerful, prosperous, and enslaved. It is better to be the citizen of a humble commonwealth in the Alps, without a prospect of influence beyond the narrow frontier, than a subject of the superb autocracy that overshadows half of Asia and of Europe.

"But it may be urged, on the other side, that liberty is not the sum or the substitute of all the things men ought to live for; that to be real it must be circumscribed, and that the limits of circumscription vary; that advancing civilization invests the state with increased rights and duties, and imposes increased burdens and constraint on the subject; that a highly instructed and intelligent community may perceive the benefit of compulsory obligations which, at a lower stage, would be thought unbearable; that liberal progress is not vague or indefinite, but aims at a point where the public is subject to no restrictions but those of which it feels the advantage; that a free country may be less capable of doing much for the advancement of religion, the prevention of vice, or the relief of suffering, than one that does not shrink from confronting great emergencies by some sacrifice of individual rights, and some concentration of power; and that the supreme political object ought to be sometimes postponed to still higher moral objects. My argument involves no collision with these qualifying reflections. We are dealing, not with the effects of freedom, but with its causes. We are seeking out the influences which brought arbitrary government under control, either by the diffusion of power, or by the appeal to an authority which transcends all government. . . . The great question is to discover, not what governments prescribe, but what they ought to prescribe; for no prescription is valid against the conscience of mankind."

Mr. Lally's book, "As Lord Acton Says," is largely interpretive and a very fine piece of work. In the other book, "Essays on Freedom and Power,"

there is more of Acton's writing. There is also a brilliant and sensitive introduction by Gertrude Himmelfarb and a preface by Herman Finer. It is significant that these two books should appear now, when so much that has happened to liberty before in the world is happening to it again. No friend of liberty can afford to pass them by.—G. G.

The Roosevelt Myth

WHEN John T. Flynn has put the Roosevelt myth through his terrible wringer and thrown aside the empty sack, all that remains of it is—the myth. His book will not be challenged on grounds of fact. He has a special way with facts. He brings them together in piles like fissionable material, and then suddenly a pile explodes with atomic effect, even though there had been nothing new in the facts. Many of them you already knew and had forgotten. But the secret of a myth is no more explained by facts than the secret of life is explained by anatomy. It may be that for good or bad the man of myth is an instrument, and if that is so, he would be unable to account for himself, or, trying to give reasons, would give wrong or puerile reasons, not knowing any better.

You get this idea as you read Flynn's history* of the Thirteen Roosevelt Years. From backstage the New Deal was an incredible confusion, unable, as Mr. Flynn thinks, to make sense even to itself; and the man least competent to make sense of it was the President. He was the juggler who made fascinating patterns in the air with glittering objects handed out to him from behind the scenes by visionaries, monomaniacs of economic theory, social reformers who found themselves suddenly in the land of a dream-come-true, disaffected intellectuals, sinister aliens, petted Communists, and crackpots; Henry Wallace, under whose evangel of abundance cotton was plowed under and little pigs were slaughtered; Milo Perkins, who wanted a world he could lift and whose slogan was "Grab the Torch," and Dr. Maurice Parmalee, who—

"had spent years drinking deep of the 'new learning' in Europe and wrote a book called 'Farewell to Poverty.' Wallace and Perkins and Parmalee made a marvelous trio of musketeers as they figuratively strutted over this hemisphere arm-in-arm singing 'Hello Plenty! Here

We Come!' Parmalee wrote another book labeled 'Bolshevism, Fascism and the Liberal Democratic State.' In this he said: 'The high technological development in the United States renders it feasible to introduce a planned social economy much more rapidly than has been the case in the U.S.S.R. . . . The superficial paraphernalia of capitalism can be dispensed with more quickly than in the Soviet Union.' But the Doctor had strayed into much lighter fields of literature. He had also written a book called 'Nudism in Modern Life' which is secluded in the obscene section of the Library of Congress."

They were willing to try anything, and did try everything they could think of, but nothing really worked. After five years the bad wolf depression was back again, deficit spending was no longer a magic solution because, for one reason, nobody could think of anything big enough to spend money for, and the New Deal was on the rocks. On January 1, 1938, says Flynn, the President and Henry Morgenthau—

"sat down to a sad repast. Roosevelt told him 'the next two years don't count—they are already water over the dam.' Then he revealed the extent of his plans—they would have to step up spending, forget about balancing the budget and get along with a two or three billion dollar a year deficit for two years. Then a conservative would come into office. That administration would do what Roosevelt had been promising he would do—quit government spending. And then the whole thing would go down in a big crash. At that point they would have to yell for Roosevelt and Morgenthau to come back and get them out of the hole. The amazing feature of this strange confidence, which Morgenthau has reported, is this: Roosevelt and Morgenthau were already in a hole—the kind of hole the next administration would be in. Nobody had to call them in now—they were in. And they had not the foggiest idea what to do about getting out of the hole they were in, except to spend. Morgenthau concluded from this that Roosevelt had put out of his mind any thought of a third term. It is possible that he had."

What saved the New Deal from confession of failure was first the defense program and then the war. There was then something big enough to absorb astronomical deficit spending. The attitude of the New Deal economists toward the defense program was upside down. Their question was not: "How much will it cost to create an adequate national defense?" The question they asked themselves was: "What expenditure for national defense will increase the national income to \$100 billions?" It was, therefore, inflation of the national income they were thinking of; not how to buy a maximum of defense at a minimum of cost.

But many of those who lived through the early years of the New Deal, especially the period known as "the one hundred days," without surrendering control of their rational faculties, will feel that Mr.

* "The Roosevelt Myth," by John T. Flynn. Devin-Adair Company, New York, publishers.

Flynn leaves something out, and that what is missing from his history is the key. To this Mr. Flynn would undoubtedly say yes, and then explain that the key, if it was a fact, could not be documented. Even those who believed there was a key were never sure that Mr. Roosevelt was aware of its existence.

From the facts alone, as Mr. Flynn relates them, you might suppose that everything just happened; that when Mr. Roosevelt was elected he had no idea what he was going to do, never thought through any of the things he did do, and that the story of the New Deal made itself up as it went along. Events of revolutionary meaning took place, but they were happy and reckless inventions, launched in a spirit of experimental adventure, with no preconceived design and no thread of purpose at all.

Mr. Flynn says, for example, and it is undoubtedly true, that Mr. Roosevelt's understanding of economics was immature and that monetary questions confused and bored him. Everyone knew that. Nevertheless a study of the New Deal's monetary measures may lead one to a startling conclusion. That conclusion may be stated as follows.

If there had been a definite revolutionary purpose and if the way of bringing that purpose to pass had been thought out beforehand with extreme intelligence, everything would have happened just as it did.

Try putting down first the conditions. The country was on a gold standard, banking was free, exchange was free, every man was free to do what he pleased with his gold—to hoard it or to sell it or to take it out of the country. All the gates stood open.

Then imagine the problem to be this: Under these conditions given, how are you going to get control of all money, banking, and credit, in order *not only* to get your hands on the public purse, but to be able to use inflation as an instrument of social or revolutionary policy?

The solution of that problem can be worked out with chesslike precision, *provided* you can get control of both the executive and legislative functions of government. You will need this power for only a little while, because the edicts and laws you are going to use, if you know what they are, will be short and few. In the name of emergency the New Deal did get such control of government. Edicts issued from the White House were validated by Congress afterward; and Congress was willing to enact any law sent to it by the President, sometimes even without reading it.

But with all this political power you still cannot solve the problem unless you know how. The solution requires certain definite steps in a certain sequence, as, for example, first to get physical possession of all the gold by a plausible pretext, then with the gold in your possession to confiscate it; next to take control of foreign exchange and slam

the gates, then to repudiate the gold standard, declare all gold contracts void on grounds of public policy, even the gold redemption clause engraved on government bonds, and finally to introduce an unlimited, irredeemable paper currency and pass a law making any other kind of money illegal.

The sequence must be right. That is imperative. One step in the wrong order might be ruinous and certainly the wrong step first would be fatal. Now the point is that each of these steps was taken in the right order, unerringly. Could that have been accidental? Or was it easier to imagine that behind the façade of innocent trial and error a keen and purposeful intelligence was all the time acting?

This was the clearest example that could be isolated. Nevertheless it soon became evident to thoughtful observers that all the New Deal's experiments, no matter how artless they might seem, had a certain bent. The tendency was to change the philosophy of American government, within the law if possible, in contempt of law when necessary, as when the President wrote to the chairman of a House Committee saying that a little thing like the Constitution ought not to stand in the way of a good intention for the public welfare. The executive principle of government was daringly exalted. Much lawmaking power was delegated to the executive power by a pliant Congress, and thus the rise of administrative law, controlled by administrative commissions, who acted as prosecutor, jury and judge to enforce their own laws. By this means the hand of government began to be laid upon every economic activity of life. The NRA was a failure; the Blue Eagle was already sick before the Supreme Court had chopped off its head. Yet the purpose was clear; the purpose was to create a kind of corporate state, not very unlike the Mussolini state, with all business in obedient submission to the paternal wisdom of government.

In a little while men who had been able to associate themselves with the New Deal by thinking of it not as a philosophy but as a dispensation for the emergency only, began to perceive through all its confusions the elements of design and became very uneasy about it.

One of these was Lewis W. Douglas, the first Director of the Budget, who visited Mr. Roosevelt in his bedroom one morning and said: "Mr. President, I do urge you to open your mind to the possibility that among the people surrounding you there is a kind of purpose you are not aware of." To this the President said, "Now you, too, Lew. Are you beginning to see things? Who are they? Where do they hide? Do you want to look under the bed?"

Another one was Senator Carter Glass who had been Secretary of the Treasury and knew his monetary book. He, too, began to believe there was a controlling design, audaciously conceived and moved

by unusual intelligence, but neither he nor anyone else was ever able to identify the intelligence or say where it was seated. The curious fact is that nobody imputed it to the President.

The latter part of Mr. Flynn's book is the kind of history that induces postdated shudders. The idol of a great myth in such a state of physical and mental decline that he had moments of blackout, bearing on paralyzed legs the weight of a world at war, is a figure of supreme tragedy; and it was much more than personal tragedy because it involved the country in the unpredictable perils of a new and strange destiny. Although people were dimly aware of the truth, its more painful aspects were concealed, and this, Mr. Flynn thinks, was wrong. That has happened twice in our history, and each time with a world hero.

Mr. Flynn leaves one singular episode in a state of mystery. When he was nominated for the last time, Mr. Roosevelt, by all intimate testimony, was aware that he might not live through another term. Then why did he put Henry Wallace down the well? Wallace was the natural candidate for second place on the ticket. All that weird and powerful motley on the left, led by Sidney Hillman and including Browder's demobilized Communists, were for Wallace, and for him to the point of saying that there was no second choice. Nevertheless, at the eleventh hour, still saying, "Clear everything with Sidney," Mr. Roosevelt turned from Wallace to Truman. That was perhaps the last of his unexplained acts on the domestic political scene; and in view of the astonishing Truman performance in 1948—that is, in the first election of post-Roosevelt time—it was what some might call a sign of premonition. Otherwise the country would have had three and one half years of Wallace.

Mr. Flynn is no academic historian. He is a reporter. Reporting is history in the raw. This is excellent reporting, by one who, besides penetrating insight, has a gift for dramatizing facts, not to omit a sense of humor. One of Mr. Roosevelt's "dainty intellectual pets," he says, was Archibald MacLeish, the poet, who was made head of the Office of Facts and Figures. He quotes from a MacLeish poem:

"Who is the voyager on these coasts?
Who is the traveler in these waters
Expects the future as a shore; foresees
Like Indies to the west the ending—he
The rumor of the surf intends."

and then adds: "A man who writes poetry like that inevitably becomes a New Dealer, if not worse."

Those who will may allow for the fact that Mr. Flynn was born with a psychic mechanism guaranteed to protect him from all spells of human origin. The Roosevelt spell repelled him violently.—G. G.

Hayek on Individualism

FOR the acclaim it received at the time, Friedrich A. Hayek's small book, "The Road to Serfdom," owed nothing to style and everything to its intensity of feeling and the immediacy of the subject matter. It was written to make the British shudder. The voice was that of a Viennese economist who had witnessed the rise of the totalitarian tide in Europe and ran before it into England, where he changed his citizenship and began to teach in the London School of Economics. But the omens of disaster to economic freedom were already there, and that was what he was trying to tell the people of his adopted country. He knew the signs. He had seen it all happen before; and now he had the sensation of seeing it happen again. But if he thought his book might arrest the tide he was disappointed. The British went on with their Fabian revolution. Now in a more distant and scholarly mood he does another book entitled, "Individualism and Economic Order," which no doubt will give rise to controversy, but only in the ivory towers, high above the dust of the market place. In the preface he says:

"Since I published not long ago a more popular book on problems related to some of those discussed here, I should in fairness warn the reader that the present volume is not intended for popular consumption."

The book is a collection of twelve lectures and essays "with a range from discussions of moral philosophy to the methods of the social sciences and from problems of economic policy to pure economic theory"; and he regards them all as fragments, or pieces of detail, belonging to a great philosophical work in progress. One is entitled, "The Use of Knowledge in Society"; another, "The Ricardo Effect"; another, "Economics and Knowledge." In one entitled, "A Commodity Reserve Currency," he unexpectedly embraces the theory of commodity money. The two that make the book readable, and with an easier style might have made it popular, are entitled, respectively, "Individualism: True and False," and "The Meaning of Competition."

In the first his keen powers of distinction are exercised to fine purpose. True individualism, he says—

"is primarily a theory of society, an attempt to understand the forces which determine the social life of man, and only in the second instance a set of political maxims derived from this view of society. This fact should by itself be sufficient to refute the silliest of the common misunderstandings: the belief that individual-

ism postulates (or bases its arguments on the assumption of) the existence of isolated or self-contained individuals, instead of starting from men whose whole nature and character is determined by their existence in society. If that were true, it would indeed have nothing to contribute to our understanding of society."

The great theme of true individualism is that in the spontaneous collaboration of many free minds there is a mysterious creative power far greater than the power in any individual mind. But this is a philosophy that may be very easily misunderstood:

"Perhaps the best illustration of the current misconceptions of the individualism of Adam Smith and his group is the common belief that they have invented the bogey of the 'economic man' and that their conclusions are vitiated by their assumption of a strictly rational behavior or generally by a false rationalistic psychology. They were, of course, very far from assuming anything of the kind. It would be nearer the truth to say that in their view man was by nature lazy and indolent, improvident and wasteful, and that it was only by the force of circumstances that he could be made to behave economically or carefully to adjust his means to his ends. But even this would be unjust to the very complex and realistic view which these men took of human nature. Since it has become fashionable to deride Smith and his contemporaries for their supposedly erroneous psychology, I may perhaps venture the opinion that for all practical purposes we can still learn more about the behavior of men from the 'Wealth of Nations' than from most of the more pretentious modern treatises on 'social psychology.'

"However that may be, the main point about which there can be little doubt is that Smith's chief concern was not so much with what man might occasionally achieve when he was at his best but that he should have as little opportunity as possible to do harm when he was at his worst. It would scarcely be too much to claim that the main merit of the individualism which he and his contemporaries advocated is that it is a system under which bad men can do least harm. It is a social system which does not depend for its functioning on our finding good men for running it, or on all men becoming better than they now are, but which makes use of men in all their given variety and complexity, sometimes good and sometimes bad, sometimes intelligent and more often stupid. Their aim was a system under which it should be possible to grant freedom to all, instead of restricting it, as their French contemporaries wish, to 'the good and wise.'"

Secondly, true individualism requires a system based upon principles, one that—

"uses the universal acceptance of general principles as the means to create order in social affairs. It is the opposite of such government by principles when, for example, a recent blueprint for a controlled economy suggests as 'the fundamental principle of organization . . . that in any particular instance the means that serves society best should be the one that prevails.' It

is a serious confusion thus to speak of principle when all that is meant is that no principle but only expediency should rule; when everything depends on what authority decrees to be 'the interests of society.'"

True individualism is not equalitarian. It—

"can see no reason for trying to make people equal as distinct from treating them equally. While individualism is profoundly opposed to all prescriptive privilege, to all protection, by law or force, of any rights not based on rules equally applicable to all persons, it also denies government the right to limit what the able or fortunate may achieve. It is equally opposed to any rigid limitation of the position individuals may achieve, whether this power is used to perpetuate inequality or to create equality. Its main principle is that no man or group of men should have power to decide what another man's status ought to be, and it regards this as a condition of freedom so essential that it must not be sacrificed to the gratification of our sense of justice or of our envy. . . .

"If all men were completely equal in their gifts and inclinations, we should have to treat them differently in order to achieve any sort of social organization. Fortunately, they are not equal; and it is only owing to this that the differentiation of functions need not be determined by the arbitrary decision of some organizing will but that, after creating formal equality of the rules applying in the same manner to all, we can leave each individual to find his own level. . . . There is all the difference in the world between treating people equally and attempting to make them equal."

False individualism, on the other hand, deriving from Rousseau and the French revolution, is equalitarian. "The deepest cause which made the French Revolution so disastrous to liberty was its theory of equality," said Lord Acton. "Democracy and socialism," said De Tocqueville, "have nothing in common but one word, equality. But notice the difference; while democracy seeks equality in liberty, socialism seeks equality in restraint and servitude."

False individualism takes no account of the unpredictability of man's nature. Its god is reason. Its exaggerated belief in the powers of individual reason may lead one way to anarchy, and, oppositely, its conclusion "that social processes can be made to serve human ends only if they are subject to the control of individual reason" may lead, and does lead, to the planned economy and socialism. Between these two extremes there is nothing.

In the essay on "The Meaning of Competition," Professor Hayek plays jujitsu with ideas such as *competitive equilibrium* and *perfect competition*, and tells the planners that what they think they are talking about when they use these terms is nothing that means competition in the common language. He says:—

"The peculiar nature of the assumptions from which the theory of competitive equilibrium starts stands out

very clearly if we ask which of the activities that are commonly designated by the verb 'to compete' would still be possible if those conditions were all satisfied. Perhaps it is worth recalling that, according to Dr. Johnson, competition is 'the action of endeavoring to gain what another endeavors to gain at the same time.' Now, how many of the devices adopted in ordinary life to that end would still be open to a seller in a market in which so-called 'perfect competition' prevails? I believe that the answer is exactly none. Advertising, undercutting, and improving ('differentiating') the goods or services produced are all excluded by definition—'perfect' competition means indeed the absence of all competitive activities."

And again:

"The belief in the advantages of perfect competition frequently leads enthusiasts even to argue that a more advantageous use of resources would be achieved if the existing variety of products were reduced by 'compulsory' standardization. Now there is undoubtedly much to be said in many fields for assisting standardization by agreed recommendations or standards which are to apply unless different requirements are explicitly stipulated in contracts. But this is something very different from the demands of those who believe that the variety of people's tastes should be disregarded and the constant experimentation with improvements should be suppressed in order to obtain the advantages of perfect competition. It would clearly not be an improvement to build all houses exactly alike in order to create a perfect market for houses, and the same is true of most other fields where differences between the individual products prevent competition from ever being perfect."

In the essay entitled, "Free Enterprise and Competitive Order," he develops a thesis that was already suggested in "The Road To Serfdom"—the thesis that a proper function of government is to plan competition and to clarify the principles that govern its freedom:

"About a hundred years ago John Stuart Mill, then still a true liberal, stated one of our present main problems in unmistakable terms. 'The principle of private property has never yet had a fair trial in any country,' he wrote in the first edition of his 'Political Economy.' 'The laws of property have never yet conformed to the principles on which the justification of private property rests. They have made property of things which never ought to be property, and absolute property where only a qualified property ought to exist . . . if the tendency of legislators had been to favor the diffusion, instead of the concentration of wealth, to encourage the subdivision of the large units, instead of striving to keep them together; the principle of private property would have been found to have no real connection with the physical and social evils which have made so many minds turn eagerly to any prospect of relief, however desperate.' But little was in fact done to make the rules of property conform better to its rationale, and Mill himself, like so many others soon

turned his attention to schemes involving its restriction or abolition rather than its more effective use.

"While it would be an exaggeration, it would not be altogether untrue to say that the interpretation of the fundamental principle of liberalism as absence of state activity rather than as a policy which deliberately adopts competition, the market, and prices as its ordering principle and uses the legal framework enforced by the state in order to make competition as effective and beneficial as possible—and to supplement it where, and only where, it cannot be made effective—is as much responsible for the decline of competition as the active support which governments have given directly and indirectly to the growth of monopoly. It is the first general thesis which we shall have to consider that competition can be made more effective and more beneficent by certain activities of government than it would be without them. With regard to some of these activities this has never been denied, although people speak sometimes as if they had forgotten about them. That a functioning market presupposes not only prevention of violence and fraud but the protection of certain rights, such as property, and the enforcement of contracts, is always taken for granted. Where the traditional discussion becomes so unsatisfactory is where it is suggested that, with the recognition of the principles of private property and freedom of contract, which indeed every liberal must recognize, all the issues were settled, as if the law of property and contract were given once and for all in its final and most appropriate form, i.e., in the form which will make the market economy work at its best. It is only after we have agreed on these principles that the real problems begin."

This was not meant to be a book that you could take up and put down lightly. Many who read "The Road to Serfdom" may find it difficult. But reading Hayek is work that pays.—G. G.

"Off with Their Heads!"

A Grimes editorial from the *Wall Street Journal*

SUETONIUS tells us that on at least three occasions during the reign of the later Caesars the Romans had high-price troubles. The emperors attacked the problem with forthrightness. People who charged more for grain than the emperors considered fit and proper were nailed up along the roads to the city as examples to what we today would call profiteers.

This showed that the emperors were concerned with the welfare of the people. It helped divert attention from the fact that the divine rulers were wasting the people's substance on massive armies, on circuses or just personal profligacy.

During the terrible inflation of the French Revolution a gentleman of the Assembly suggested that if

the government would just kill a few food brokers the situation would right itself. The guillotine did indeed swallow a few brokers and, later on, a few farmers too who refused to sell their products at a "fit and proper" price.

Neither the emperors of Rome nor the proletariat of France solved anything with their dicta, their crucifixions or their head choppings. They went right on debasing the money to feed insatiable government until in one case a civilization fell and in the other a fight for freedom turned into a new tyranny.

It would be pleasant to think these were historical absurdities, confined to school books, like witch-hunting.

The other day Cuba inaugurated a new president. One of his first official acts was to issue an order calling for an immediate 10% reduction in all retail prices because they were "too high." The Havana dispatches did not say how the order was to be implemented nor what penalties would be handed anyone who failed to comply.

One suggestion on enforcement comes from the Chinese. Over there, as a national magazine notes in some gruesome documentary pictures, anyone who declines to trade the Chinese dollar at its official rate is shot in the back of the head, a modern adaptation of the Roman idea.

The Chinese have merely completed the sequence. First you debase the currency, to pay for very worth-while projects, of course. Then you pass a law saying the money is worth whatever the government says it is. You begin by putting uncooperative people in jail, and you end by lopping off a few heads. History, as we suspect someone has previously remarked, repeats itself.

Sorrows of Security

From *The New Yorker*

PRESIDENT TRUMAN says he is going to increase social security. By this he means that a somewhat larger amount will be withheld from a worker's pay check each week and that the employer will be asked to match the amount. Mark Sullivan, in the *Tribune*, points out that with the value of money dropping the way it is, an increase in social security is only an apparent increase, not a real increase. Mr. Sullivan argues that the fifty cents that was withheld from your pay check in, say, 1937 would have bought you a square meal at that time, but that when you are sixty-five years old and get the fifty cents back, it may buy you only a small box of dried raisins. He says the way to

increase social security is to see that the dollar doesn't shrink. The argument is sound enough. Perhaps the way to manage social security is to forget about dollars and withhold meat instead. Every employer could be required to maintain a deep-freeze unit and withhold one square meal each week for each employee. Then when an employee reaches sixty-five and starts digging around like a squirrel on a winter morning, he will dig up some frozen meat instead of a shrivelled dollar. Of course, withholding meat for security reasons would cause food prices to skyrocket, and this, too, might be a social advantage, since many of us could normally be counted on to die of malnutrition before we ever reached sixty-five.

*

The problem of security is full of bewildering implications, pitfalls and myths. It is paradoxical that the more secure a person gets in a material way, the less secure he may become in other ways. The least secure fellows you see around, in any age or period, are the big fellows, with their personal empires and kingdoms and all the responsibilities and ulcers that go with kinging. In a sense, the only genuinely secure person is a healthy man possessed of absolutely nothing; such a man stands aloof and safe—there is no way either to reduce his fortune or to debase his currency. But even he is not perfectly secure; his loneliness may suddenly depress his spirit, and this might endanger his health.

*

There is a sort of security in savagery, in that the savage enjoys an extremely intimate and direct relationship with his supply—the berry, the root, the deer meat, the fish, the pelt. He is more truly a man of the world than is the civilized man. But he is not really secure, either; he soon notices the twinkle in a glass bead (and the possibilities of appreciation and exchange), and he fights wars with other savages (as do we all), and his security fades when the arrow is directed not at a deer but at another man.

*

Our federal social security accepts unquestioningly the mental habit of the actuary. Social security is compulsory insurance, self-imposed. The government assumes the function of an insurance company, the employee holds the policy, and the premiums are paid jointly by the employee and his employer. It is like any private form of insurance in that it always poses the question: How much should a man carry? (This is what the Democratic Congress will soon be scratching its head over.) And it has the same general effect as private insurance in that it keeps the policyholder in reduced circumstances paying for his own future. People vary greatly in their conceptions of risks and futures. For some careful persons, the ideal state would be one in

which every worker had his entire earnings withheld each week against a rainy day and would arrive at old age not merely tired and emaciated but quite dead. The knottiest problem in social security is not how to keep the dollar from depreciating but how to keep the man. How stabilize personal risk without destroying individual responsibility? If security itself were ever to become the highest national goal, the citizen would shed his self-reliance as a buck sheds his horns, and the citizens of the republic would be like privates in the Army—each with a dog tag, and a dull sense of having abandoned something irreplaceable.

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The Americans Who Didn't Give a Damn

C. T. Revere

IN his book, "Roosevelt, the Story of a Friendship," Owen Wister, probably better known as the author of "The Virginian," tells of a luncheon at which Theodore Roosevelt and Henry Cabot Lodge were present. He says that when he asked Roosevelt and Lodge how long they gave our government to live (presumably in its constitutional form) one of them answered, "About fifty years," and he says, "the other assented to this limit." Just what lay behind this dictum, Wister does not disclose, although he does quote Roosevelt as stating, "I am not so sure that I can look at the coming years with levity."

That half century is about up, and that is one reason why we should be so deeply concerned at this time about "the state of the union," what it actually is, how we became that way, and where we go from here.

Any future survey by history hardly can escape the conclusion that our country has gone through a progressive process of deterioration, at least if we base this change on our departure from our original, fundamental concepts of government and the principles enunciated by our Founding Fathers.

As a result of circumstances which we feel, and perhaps have felt, that we could not escape, we have become embroiled in international politics and now find ourselves occupying a dominant, if not dominating, position in a distraught world. In all conscience, we did not seek this pinnacle so full of menace to our future. Actually, it ran counter to our national traditions and constituted a virtual rejection of the wisdom of our first President.

In his Farewell Address, Washington solemnly

warned against participation in the quarrels and disputes of Europe which he said had a set of "primary interests" which had to us no relation, or at least a very remote one. "Hence, therefore," he said, "it must be unwise for us to implicate ourselves by artificial ties in the ordinary vicissitudes of her politics or the ordinary combinations and collisions of her friendships or enmities."

Recent history has served to emphasize the value of his counsel. If we were honest enough and frank enough, we would admit that we, with our so-called democratic concepts and our ignorance of and unfamiliarity with European and even Asiatic intrigue, are not fitted to cope with the devious subtleties of Old World politics. We have not, nor have we had, in the recent entourage of our State Department, a set of men who could have met the difficulties that would have taxed the diplomatic skill of a Talleyrand or a Metternich.

In our almost bucolic gullibility, we could not believe that promises were not made to be kept, although we had warnings without number. Recall, if you please, the sneaking treachery exposed by General Deane and later by Arthur Bliss Lane. Our State Department bureaucrats, either through ignorance or sympathetic compliance, watched the transformation of a suppliant ally into an insolent and untrustworthy foe. Our Administration could not see the building up of a hostility that threatened not only the peace of the world, but civilization itself. We complacently and prematurely demobilized, dismantling the world's greatest war machine that history ever had known as if it were so much waste material.

It is possible, of course, to justify our demobilization policy by the excuse that it was a response to popular demand in this country. However, if we had realized the error we were committing, that our haste in responding to public clamor was exposing us and even the rest of the world to an intolerable threat, would we have been justified in doing what we did? But apparently our top bureaucrats didn't know what was going on.

Now "we must be strong," we must have "the mightiest air force in the world." We were strong then—that is, when we undertook the program of dismantling our war machine. Now the job must be done all over again—drafting of our youth, building countless modern airplanes, training a super air force for their personnel—in short, spending new billions for defense in whatever form military and naval operations may take. All this at a time when we are planning to spend new billions for housing, education, health, etc., etc., etc.

It would be easy enough to lay the entire blame upon the stupid policy of our Administration, but the matter goes deeper than mere partisan fault-finding. It was a task with which we—our America

—were not fitted to deal, no matter which party undertook it.

If we would look deeply into conditions and their historical significance, we probably would encounter an amazing paradox. With all the courage and devotion with which we entered the European struggle, is it not possible that we acted largely through timidity or even cowardice in embarking on this venture? Were we not afraid of what our standing might be in the eyes of the rest of the world if we pursued a policy of so-called "isolation"? Wasn't propaganda largely instrumental in badgering us into our participation abroad? How can we trace and measure the influence of many who, while residents of our country, still have alien sympathies? What influence did these millions exert on our newspapers, particularly the press in the great metropolitan centers?

This was not always so. In confirmation of this, we call attention to a bit of analytical comment by

the late Stephen Leacock, the brilliant Canadian economist, who knew Americans better than most of our own politicians. Years ago, before we became so sensitive as to what Europe might think of us, he wrote:

"Americans are queer people; they don't give a damn. All the world criticizes them, and they don't give a damn. Foreign visitors come and write them up; they don't give a damn. They are told they have no art, no literature and no soul; they never budge. Moralists cry over them; criminologists dissect them; writers shoot epigrams at them; prophets foretell the end of them, and they never move. The Europeans threaten to unite against them; they don't mind. The English accuse them of British stupidity; the Scotch call them close-fisted; the Italians say they are liars; the French think their morals loose; the Bolsheviks accuse them of communism.

"But that's all right. The Americans don't give a damn; don't need to—never did need to. *That is their salvation.*"

Freedom from Religion

Implications of the Decision of the Supreme Court in the Illinois School Case

"No Law But Our Own Prepossessions"

From the *American Bar Association Journal*

IN our May issue we commented on what appears to be a tendency in the Supreme Court to invalidate under the First and Fourteenth Amendments state laws and state law enforcement measures which have worked well in the states for many years and have long been upheld, as valid under the same constitutional provisions, by the highest Courts of law in the states. We here comment on another propensity, instanced by the decision in *Illinois ex rel McCollum v. Board of Education* ("the Champaign County School Case"), to invalidate and proscribe local and state "practices embedded in our society by many years of experience," not expressly contained in state statutes although carried on under their authority and expressly upheld by the State Courts as valid under the constitutional provisions now held to outlaw them.

In the *McCollum* case, Mr. Justice Jackson, who concurred with the eight-to-one majority in reversing the Supreme Court of Illinois (396 Ill. 14), wrote that

"It is idle to pretend that this task is one for which we can find in the Constitution one word to help us as judges to decide where the secular ends and the sectarian begins in education. Nor can we find guidance

in any other legal source. It is a matter on which we can find no law but our own prepossessions."

He avowed that "We should place some bounds on the demands for interference with local schools that we are empowered or willing to entertain." And Mr. Justice Reed, who alone dissented, warned that

"This Court cannot be too cautious in upsetting practices embedded in our society by many years of experience. A state is entitled to have great leeway in its legislation when dealing with the important social problems of its population. A definite violation of legislative limits must be established. . . . Devotion to the great principle of religious liberty should not lead us into a rigid interpretation of the constitutional guarantee that conflicts with accepted habits of our people."

One of Those Fateful Decisions

The *McCollum* case may be one of those fateful decisions which is ignored at the time and regretted in the future. It deserves thorough consideration now. The people should have the assistance of lawyers in coming to an understanding of its effect and implications. The latent consequences of the

ruling could hardly be overemphasized. It is a pronouncement by our Supreme Court on a fundamental principle, not only of national policy but of our civilization and way of life.

Statutes of the State of Illinois were involved to the extent that its compulsory education law required attendance at schools within specified ages and gave to district boards of education supervisory powers over the use of public school buildings. What was done and permitted by the Champaign board, in agreement with accredited representatives of the different religious faiths, was held to violate the First Amendment, extended by the Fourteenth Amendment to apply to state legislation. What the Courts were asked by the petitioner-appellant to do was not an invalidating of any state law but the granting of a writ of mandamus telling the local school board what it should and should not do.

Interested members of the Jewish, Roman Catholic, and Protestant faiths in the school district had formed a voluntary association called the "Champaign Council on Religious Education." They obtained permission from the Board of Education to offer classes in religious instruction to public school pupils. Classes were made up of pupils whose parents had signed printed cards asking that their children be permitted to attend. Such classes met once a week in the regular school rooms of the school building. The Council employed the religious teachers at no expense to the school authorities, but the instructors were subject to the approval and supervision of the superintendent of schools.

The classes were taught in separate groups by Protestant teachers, Catholic priests, and a Jewish rabbi. Students who did not choose to take the religious instruction went to some other room in the building to pursue their secular studies. Students present at any of the religious classes were released for that time from secular study. Accordingly, reports of their presence or absence at religious classes were made to secular teachers. No coercion, discrimination or favoritism for any one religious faith or sect was shown.

The Triumph of Atheism

The challenge was of *any* religious teaching at all on school property and during school—in the religious faith chosen by parents or pupils with freedom for any to stay away.

The plaintiff, an avowed atheist, asked that the Court order the Board of Education to "adopt and enforce rules and regulations prohibiting all instruction in and teaching of all religious education in all public schools in Champaign District No. 71 and in all public school houses and buildings in said District." She asked the Court to ban "every form

of teaching which suggests or recognizes that there is a God." She specified the proscribing of the teaching or reading of any parts of the Scriptures, including the Twenty-third Psalm.

Two hundred years ago, a woman like Mrs. McCollum would have been persecuted as an infidel and heretic. Today she sought and obtained the aid of a judicial decree to suppress the teaching which was the very genesis of the freedom which she exercises for herself by trying to take it from others.

The best available figures of the United States Office of Education and the National Education Association show that at least two million children were attending some kind of religious classes in 2,200 cities, towns and communities a year ago, with the number at least 3,000 this year and the number of children correspondingly increased. Nearly all children in public schools are present during reading of Scriptures of nonsectarian prayers. According to a survey reported by the United Press, Bible-reading in public schools is required by law in Alabama, Arkansas, Delaware, Florida, Georgia, Idaho, Kentucky, Maine, Massachusetts, New Jersey, Pennsylvania, Tennessee and the District of Columbia. Another twenty-four states permit reading of the Bible and repeating the Lord's Prayer without comment.

Disruption of Local Practices

The extent of the Court's disruption of local practices and habits of the people in many states is shown by the NEA survey as reported by the United Press. "Definitely unconstitutional" under the decision is any plan under which the school system releases pupils from regular school classes and provides classrooms and other services for the religious classes. Some school districts in at least eleven states conduct such programs: Alabama, Illinois, Louisiana, Michigan, North Carolina, Ohio, Oklahoma, Oregon, Texas, Vermont, Virginia, and Hawaii.

Also "unconstitutional" under the ruling is any plan where religious education is conducted off school premises but during school hours and with the active cooperation of the school administration, pupils being released from the regular school, and teachers and church authorities cooperating in keeping attendance records. Some schools in at least these thirty-four states have that type of plan: Alabama, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Utah, Vermont, Virginia, West Virginia,

Wisconsin, Alaska, and Hawaii. In New York state, this type of plan was upheld as constitutional by the Court of Appeals in a suit by an atheist (*People ex rel Lewis v. Graves*, 245 N. Y. 185), and later embodied in the state's education law (Section 3210(1)).

The First Amendment provides that "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof." The Fourteenth Amendment has been construed by the Court to extend to lawmaking by a state the prohibitions contained in the First Amendment.

Looking at Our History

Looking at the matter in the light of our country's history as Mr. Justice Reed urged, it is difficult to see how the Constitution was violated by what the local community and school board in Champaign did. Did it constitute an "establishment" of religion? Was not "the free exercise" of religion *denied* by what the Court did, rather than by the state law? Mr. Justice Reed said that the Amendments "do not bar every friendly gesture between church and state" and are not "an absolute prohibition against every conceivable situation where the two may work together."

James Madison wrote that "he apprehended the meaning of the words to be, that Congress should not establish a religion and enforce the legal observance of it by law, nor compel men to worship God in any manner contrary to their conscience."

Thomas Jefferson, oft-quoted foe of giving governmental support to any one religious sect or faith to the exclusion of others, did not oppose the use of public funds in support of religious education along with other education. On the contrary, he recommended for his beloved University of Virginia a theological school for the training of clergymen, a large room for religious worship, an elaborate arrangement for students of the religious institutions which he proposed that the various denominations should set up in connection with the University—all at public expense! As President of the United States, Jefferson used public funds and government properties in aid of religion and religious education in various ways, as has every President to this day. Recognition of an interest in and support for religion of the recipient's choosing has not been regarded as an "establishment," so long as no one faith is singled out, favored, or established to the exclusion of others.

Sessions of the Senate and House of Representatives, under their historic rules, are opened always with a prayer, by Chaplains paid from public funds. Chapels are maintained on the government reservations at West Point and Annapolis; "no cadet will be exempted from attendance." Millions of dollars

were spent in erecting and maintaining chapels at army camps and bases during World War II; they were used interchangeably by clergymen of the different faiths. Chaplains went everywhere with the troops and on ships of war, and conducted services. Money of taxpayers and properties of government were used freely to see to it that our young men who went into the face of danger and death did not lack the ministrations of those who believed in God and the verities of religion. Must state and local governments do less for those who are being educated for citizenship and life?

Under the 1944 legislation, a discharged veteran may be educated at public expense to be a clergyman, in a denominational school of his choice. A month after the decision in the *McCullum* case, the Congress passed and the President signed an appropriation of \$500,000 to erect a chapel for religions at the United States Merchant Marine Academy at King's Point, New York.

Remember the Dorchester

On May 28 the United States Post Office placed on sale a postage stamp bearing the legend: "These Immortal Chaplains . . . Interfaith in Action." It bears portraits of four young ministers of religion—a Methodist, a Roman Catholic priest, a Jewish rabbi, and a Baptist—and also a painting of a torpedoed troop ship which carried them to their graves off Greenland on February 3, 1943—the *S.S. Dorchester* of our Navy.

They were on government property at taxpayers' expense, to hold religious services and give instruction and ministration in religion. And when they made their way to the deck of the stricken ship, they gave their life-jackets to four young men who had lost theirs in the confusion. Having given away their own chance to live, the four chaplains stood close together, holding hands, as the ship went under—an immortal demonstration of the unity of religious faiths and what religion does for people—now appropriately commemorated by our government.

Was all this constitutional? Maybe there was something in the *Dorchester* incident which the majority in the Supreme Court missed—something to which the highest courts of our states and countless local communities have held fast.

As Mr. Justice Jackson and Mr. Justice Reed solemnly warned, new and far more vexatious aspects will arise, in litigation which will seek to carry the present ruling to further extremes. The traditionally religious sanctions of our law, life and government are challenged by a philosophy and a judicial propensity which deserves the careful thought and concern of lawyers and people.

Christ and Marx

IN the columns of *The Times*, London, a debate has been running for some time on these two questions: Is communism a form of Christian heresy? Can the Marxist doctrine be reconciled with Christianity? Now *The Times* prints an editorial of summation, entitled "Christianity and Communism," as follows:

THE twentieth century has seen the revival, in a new form, of the Papal-Imperialist controversy of the thirteenth century. Christians can no longer be content with DISRAELI's advice that they should take no part in politics as churchmen until the liberties of the Church are in danger, when they should vote Conservative. Today the theory and practice of Communism present Christians with an inescapable challenge. The great persecution in eastern Europe has arisen not from a deliberate assault by the state on the prerogatives of the Church, but from the Church's refusal to buy the large measure of freedom offered to it at the cost of giving its blessing to Marxist dogma and Communist practice. Two distinct issues have emerged from the letters on this subject recently published in *The Times*. The first is whether Marxist doctrine and Christian belief can be reconciled. It is the almost unanimous opinion of Christians of all denominations that they cannot. Some correspondents have followed the ARCHBISHOP OF YORK in arguing that a Christian form of Communism, free from Marxist dogma, is possible. Since, however, the only organized Communist Party in existence is Marxist this speculation may be thought academic. The real question is not whether a new Communism is possible, but whether Christians can approve the social aims of the existing Communist Party without approving its philosophy and methods.

* *

The Communist attack is aimed principally against the institution of property. Whether or not property would be necessary in a perfect society in which greed and violence did not exist is a complex theological question which Christians of different traditions have answered differently. At present it has no practical relevance. The Christian case for property in a sinful society stands. If men are not secure in the possession of at least some goods they are in a condition of dependence which is incompatible with freedom. Some Christians may feel called to reduce their possessions to the minimum in order to devote themselves to prayer, but the virtue of this sacrifice consists in its being free. It has never been thought incumbent upon all Christians, and even when the sacrifice is made it can never be complete. The most austere monastic orders have to acquire property to provide food and shelter for their members, and this form of ownership by free communities within the state is as repugnant to the Communist ideal of full state control as private property itself.

Property is a fact, and to deprive a man suddenly and

without his having committed a legal offense of the possessions on which he depends for his livelihood is to treat him as a mere instrument of the social good and not as a moral being entitled to respect. Property, like other rights, carries with it moral duties. It is of the essence of moral duties that they should not be enforced. Nevertheless, property, in common with all other forms of freedom, must be limited by law, and the extent of the limitation depends on changing circumstances. All modern states deprive their subjects of a proportion of their incomes by taxation, and limit their right of bequest by death duties. Most European governments have put some major industries under state control. All that can be said on this point is that there is a difference in degree, great enough to amount to a difference in kind, between the forcible dispossession of a class and the nationalization, with due compensation, of the coal industry, or the imposition of a graduated income tax.

* *

The real question for Christians to answer is whether men and women can continue to enjoy freedom in a society in which all economic power is vested in a government composed, as it always must be, of fallible men. To this question the Gospels provide no answer, because they are not political textbooks, but most Christians will feel that in the light of recent experience of totalitarianism the answer is an unequivocal "No." It is true that every argument for property is a criticism of its distribution; and the concentration of wealth in the hands of the few may sometimes be a threat to the liberty of the many. In capitalist society this danger has been to some extent offset by the development of trade unions, which assure to members not only a degree of freedom varying with the state of the labor market, but also give them a measure of control over industry almost as great as that exerted by its formal proprietors. Even this protection would be withdrawn in a fully Communistic State, in which free trade unions would necessarily be regarded as vested and sectional interests and would be as suspect as private owners.

* *

Communism stands for state ownership, not group ownership, and as such is a threat to personal freedom which Christians cannot ignore. Today this threat is immediate, and would be as great even if Communism employed less violent methods to achieve its end. It is therefore not surprising that the advocates of Communism are not to be found in the Christian churches. It is to Marxism, not to Christianity, that they appeal; and Marxism is a utopian philosophy of materialist determinism which denies the existence of the supernatural and excludes the idea of sin. As such it is not a Christian deviation or heresy, but a detailed denial of the Christian religion.

Path of the Red Dean

FIRST, the application of the Red Dean of Canterbury for permission to enter the country was denied by the State Department, on the ground that he was a Communist and a propagandist, and that his proposed lecture tour here was sponsored by a Communist front organization. Then a large committee of intellectuals was formed to create a furor for free speech and make the State Department change its mind, which it did. Presently, therefore, the visitor arrived at an American airport, with what is called a publicity build-up behind him. As a member of the editorial board of the London *Daily Worker*, which is the Communist party's official newspaper in Great Britain, the Red Dean would naturally expect that the authentic reporting of his activities here would appear in the New York *Daily Worker*, which is the Communist party's official organ in the United States. The following example of its reporting appeared in the New York *Daily Worker* on December 1.

From the *Daily Worker*

Detroit, November 30.—More than 1,900 Detroiters packed Music Hall to hear the Rev. Hewlett Johnson, Dean of Canterbury, talk of peace. Several hundred people had to be turned away. The warmongering, scurrilous Hearst *Detroit Times* failed in its effort to whip up an egg and tomato throwing barrage through inciting articles aimed at the English churchman.

An attentive audience heard the Dean discuss the foreign policies of the Soviet Union and the western powers.

He told his listeners the great auto plants in this city must be used for peaceful purposes and not as the producer of war materials. He has talked in his three-day visit here with many workers, Negro and white, from Ford, Packard, General Motors and Chrysler plants, always along the same line, "produce for peace and not for war."

The Rev. Johnson was introduced by Judge Patrick H. O'Brien, Michigan's outstanding liberal jurist. The original chairman had declined to preside after receiving a letter from his bishop.

Judge O'Brien, a Catholic, remarked that he was fortunate that his job depended on the votes of the people and not on a bishop. He said that the reason he accepted as chairman of the Dean's meeting was:

"I feel Dean Johnson is a very distinguished man. I want to hear him. And I am willing to introduce him. I have always admired a man who stands up for his views on matters that are social, economic, political, even though he may be a member of a minority group."

At a press conference Monday, attended by labor editors as well as representatives of the local daily

newspapers, the Rev. Johnson, in answer to unionists' questions about what he thought of American labor said:

"There is much less class understanding here than among the workers in other parts of the world. American workers still think they can make a fortune, but it's inevitable that they will learn this is not so."

He said he was disturbed by the growing participation of the Catholic church in unions and politics in America and thought it was a dangerous trend that fortunately was being met in Europe with the rise of a new social consciousness among the people.

He assailed the usual Hearstian provocations about "religious persecution" in Russia and the new democracies by describing the religious freedom he saw in his last European tour.

Study the Communist

By James B. Conant

President of Harvard University

This is from the speech before the New York Herald-Tribune Forum in which Dr. Conant said that those who worry about radicalism in the colleges are either reactionaries or defeatists.

WHETHER you take an optimistic or a pessimistic view of the chances of turning the present uneasy truce into a peaceful competition of ideologies, the fact remains that we must deal in one way or another with the fanatic yet capable followers of Lenin. Therefore, it behooves us to understand them. We must examine and debate the creed of the Communist Party as it has been formulated and defended both here and in foreign lands. Indeed, I would go so far as to say that this is the number one educational need of the present moment.

We study cancer to learn how to defeat it. We must study the Soviet philosophy in our universities for exactly the same reason.

If we do this, how are we to answer the thoughtful and troubled citizen who wonders if our universities are being used as centers for fifth-column activities?

My belief is that those who worry about radicalism in our schools and colleges are often either reactionaries who themselves do not bear allegiance to the traditional American principles or defeatists who despair of the success of our own philosophy in an open competition. The first group are consciously or unconsciously aiming at a transformation of this society, perhaps initially not as revolutionary or violent as that which the Soviet agents envisage, but one eventually equally divergent from our historic goals. The others are unduly timid about the outcome of a battle of *ideas*; they lack confidence in our own intellectual armament.

Evolution of the Atlantic Alliance

Washington Correspondence

Washington, D. C.

THE rapidly maturing project of a North Atlantic Anti-Russian Alliance, to include

- (1) A union of western European nations,
- (2) Canada, and
- (3) the United States,

and to be supported by an American lend-lease program that might cost \$1½ billion a year, rests upon the Vandenberg Resolution. Saving only our declarations of war, no pronouncement of American foreign policy has been more fraught with unpredictable consequences. Yet when it was proposed last June, following the European Recovery Plan, it caused no excitement, and was adopted by the Senate after a few hours' debate, by a vote of 64 to 4. When presently the question of giving effect to it comes before Congress, together with a definite plan for arming western Europe, many people will want to know what the Vandenberg Resolution was. The text of it is printed below; also Senator Vandenberg's statement of what it meant.

THE VANDENBERG RESOLUTION

(Agreed to by the Senate June 11, 1948. Mr. Vandenberg was then chairman of the Senate Committee on Foreign Relations.)

WHEREAS peace with justice and the defense of human rights and fundamental freedoms require international cooperation through more effective use of the United Nations: Therefore be it

Resolved, That the Senate reaffirm the policy of the United States to achieve international peace and security through the United Nations so that armed force shall not be used except in the common interest, and that the President be advised of the sense of the Senate that this Government by constitutional process, should particularly pursue the following objectives within the United Nations Charter:

(1) Voluntary agreement to remove the veto from all questions involving pacific settlements of international disputes and situations, and from the admission of new members.

(2) Progressive development of regional and other collective arrangements for individual and collective self-defense in accordance with the purposes, principles, and provisions of the Charter.

(3) Association of the United States, by constitutional process, with such regional and other collective arrangements as are based on continuous and effective

self-help and mutual aid, and as affect its national security.

(4) Contributing to the maintenance of peace by making clear its determination to exercise the right of individual or collective self-defense under article 51 should any armed attack occur affecting its national security.

(5) Maximum efforts to obtain agreements to provide the United Nations with armed forces as provided by the Charter, and to obtain agreement among member nations upon universal regulation and reduction of armaments under adequate and dependable guaranty against violation.

(6) If necessary, after adequate effort toward strengthening the United Nations, review of the Charter at an appropriate time by a general conference called under article 109 or by the General Assembly.

The capacious paragraphs are 2, 3 and 4. Mr. Vandenberg read them carefully to the Senate, and then expounded them as follows:

"It is the belief of the Senate Committee on Foreign Relations and the State Department—and in this instance I can speak for both—that one of the ways by which the Charter [of the United Nations] can be made infinitely more effective, without the necessity of any amendment, is to put this new emphasis on regional arrangements. The Senate will remember that the United Nations Charter itself categorically recognizes the importance of regional arrangements as a contribution to the effectiveness of the Charter in preventing aggression and in controlling international security and peace.

"The regional arrangements are covered in chapter 8, article 52. . . . The regional organization as such can take no enforcement action under chapter 8 without the approval of the Security Council. Therefore there is no release from the jurisdiction of the Security Council in respect to enforcement when a regional arrangement has been entered into.

"The important thing to remember in this parallel connection is that article 51, which is the other article involved in these three sections of the pending resolution, reads as follows:

"Nothing in the present Charter shall impair the inherent right of individual or collective self-defense if an armed attack occurs against a Member of the United Nations, until the Security Council has taken the measures necessary to maintain international peace and security."

"In other words, where there is an armed attack against a member nation of the United Nations, the nation attacked preserves all its inherent rights of self-defense regardless of any of the Charter obligations to await collective security. The nation thus attacked not only preserves this right of individual self-defense but the right of collective self-defense at that point is also recognized, and it is outside the veto, because it has the authority to meet a sudden critical situation which could not possibly await any sort of consolidation or

any sort of planned defense. I continue to read from article 51:

"Measures taken by members in the exercise of this right of self-defense shall be immediately reported to the Security Council and shall not in any way affect the authority and responsibility of the Security Council under the present Charter to take at any time such action as it deems necessary in order to maintain or restore international peace and security."

"The point is that this right of summary self-defense, individual and collective, resides in each member nation not only at the moment of attack but 'until the Security Council has taken the measures necessary to maintain international peace and security.'

"Therefore there is an area of action at that point which is strictly within the definitions of the United Nations Charter but outside the veto, because it is outside the authority of the Security Council.

"The theory of developing the regional arrangement idea to a greater degree very clearly contemplates the fact that, if regional arrangements perfect the means for collective security, their exercise and use under article 51, pending the time when the Security Council shall take 'measures necessary to maintain international peace and security' is a very definite and specific step forward, strictly within the limitations of the Charter, a step forward toward a more effective integration of the peace-loving nations of the earth toward peace and security.

"It is a plan for our practical American cooperation under specified circumstances, within the framework of the United Nations. It is an answer which encourages individual and collective self-defense against armed aggression within the Charter and outside the veto. It asserts our interest in regional arrangements, specifically invited by the Charter, as a means to renew its effectiveness for peace. It declares our willingness to consider by due constitutional process our own cooperation, in one way or another, with such regional arrangements, if and when we conclude that our own national interests are involved.

"It is a plan to make the Charter work in behalf of individual and collective self-defense against armed aggression. It is a potential power for peace. It never steps outside the United Nations Charter. It never steps outside the Constitution of the United States. It never steps outside the final authority of the Congress. But it steps constructively and hopefully toward a better and a safer world.

"I agree with those who say it is an important and significant step, but let us make no mistake about the underlying facts. This is not the recital of an acceptance of new obligations, if we meant what we said when we assumed our underlying obligations under the United Nations. This resolution merely spells out an orderly and consistent procedure to implement them. It puts them into a plan. It gives them reciprocal vitality. We cannot escape these same general obligations by declining the resolution. But when we make them more realistic and make our interest more specific it is less likely that an aggressor will take the chance and pay the price of ignoring them."

We Are Losing the Cold War

**By Senator Ralph E. Flanders*

MORE than three years after the war, we find the peace treaties still unwritten and with no immediate assurance that they can be written. We find ourselves within a hair's breadth of conflict with one of our principal allies in that war. We find another of our allies so far gone in economic and political chaos as to make it seem doubtful whether anything can be done for her by internal or external effort. We see all of Europe struggling to some degree with the same destructive forces. To look at a single trouble spot, we find ourselves in a fantastic situation in Berlin, where we are compelled to support the teeming population of a great city by air transport, although highways, railroads, and canals exist in perfect working order for bringing in provisions.

The country which is running wild in the civilized world is Russia. Deputy Premier Voznesenski, a member of the all-powerful Politburo, in his book, "The Economy of the USSR During World War II," translated by the American Council of Learned Societies, and recently published in this country, says:

"To prevent the possibility of appearance within a future period of new imperialist aggression against the socialist homeland, and the beginning of a Third World War, it is necessary that the aggressor imperialist countries be disarmed militarily and economically, and that the anti-imperialist democratic countries rally together."

You will note that this is not merely an explanation of intention to destroy Western civilization but it is also put in terms of preventive action. It is "to prevent the possibility of appearance within a future period of new imperialist aggression" that Russia declares the necessity for disarming the Western world. They do not propose to wait for aggressive action on our part.

The Economy of a Garrison State

Three years after the end of open hostilities we find ourselves spending billions for relief in war-ravaged countries, other billions for supporting the economic recovery of those countries, and still more billions (and that without apparent limit) for re-

* From an address entitled "What Should We Do About Russia?" at Wesleyan University, December 2, 1948.

armament through the expansion of our own Army, Navy, and Air Forces. Inflation still pursues its destructive course. The further expansion of these billions of expenditures will put new energy behind inflation. There will be, in consequence, insistent calls for the return of wartime controls. We are threatened with the "garrison state" in which the economy of the country and the lives of its citizens are devoted, first of all, to the support of our military strength, with every other human consideration secondary.

This is a condition which might have seemed temporary, and a burden diminishing with the years, if it had been simply a matter of repairing the ravages of the Second World War. It is the direct and implacable challenge of Russia for the future which makes this burden one which is constantly growing and that without any presently predictable limit. Never before has the Western world been faced with a danger so great, so outspokenly proclaimed and so powerfully supported.

Russia's Enormous Advantage

A look at our self-declared enemy is not at all comforting. The people of Russia are in a bad way, but they always have been. Their low standard of living as compared with ours is something they have been brought up in and have learned perforce to endure. Their hopes for improvement of their conditions have been dampened by the large military preparation in which Russia still persists. And they have been told, and apparently believe, that military attack by Western civilization is imminent and that further preparation for defense is unavoidable.

Meanwhile, in the cold war, Russia has an enormous advantage over us. She spends millions for our billions; and with those millions by subversion, by propaganda, by inexpensive violence of radical minorities, she has conquered nation after unwilling nation and hidden them behind the Iron Curtain. To counteract the terrible results thus obtained by the expenditure of millions, we have found no better policies than those which require the expenditure of billions, with our military authorities pressing on us their ever-increasing demands.

Viewed from this aspect, Russia is winning the cold war. One of the two objectives announced by Mr. Voznesenski—that the "imperialist countries be disarmed . . . economically"—is in active process of accomplishment. Whatever we may think of our success with the air lift or of our ability to return tit for tat in mud slinging in the United Nations, or any other minor tactical success in this cold war, we are losing it on the economic front.

Let us look at the conflict as a whole, instead of rushing from one threatened spot to another like the

beleaguered defenders of an undergarrisoned fortress. We may find that we are not "undergarrisoned" and that it is possible to shift from the tactics of a besieged army to that of one waging a successful offensive. Let us concentrate our thought on strategy instead of tactics.

I have tremendous sympathy for the position in which Ambassador Austin and the other representatives of the Western nations find themselves as they face the Russians in the Council and in the Assembly of the United Nations. With regard to their position, I have but one suggestion to make and this is tactical rather than strategic. Calm deliberation has proved futile. Is it not possible to substitute a tone of curt decisiveness, not unmingled with derision, for the serious attention with which we listen to their endless and absurd harangues? Can we not in a few words demonstrate to the world that what they are saying is poppycock in this Assembly devoted to peace, when their purposes are declared to be hostile? When they refuse to submit to armament inspection which the rest of the world is perfectly willing to undergo, except under terms which they can turn to their own advantage, can we not ask them what it is they are trying to hide? Can we not counter the stifling weight of four-hour harangues with four short sentences—verbal jabs? How far would their propaganda carry, how long could they maintain their solemn impressiveness of mien if they were faced with this sort of debate—or absence of debate?

The next point to be considered is the relation of European recovery to the whole problem with which the Russians are facing us. When we do so, it becomes evident that without European recovery, both economic and psychological, any strength of military defense vanishes. Realizing that military expenditures on our part, expanded much beyond the present volume, will have serious economic and social effect here, it becomes clear that we must depend in large measure on the economic ability and the effective will of the western European people to defend themselves. We cannot and will not take on ourselves the burden of defending an inert western Europe even in our own interest. Fortunately, there is no evidence that this will be required of us. We must keep this necessity of national defense in mind as the basic purpose of the European Recovery Program.

Faults of Our Propaganda

Politically (and I am using the word in its diplomatic rather than party sense) we must work for increased realism and effectiveness. The Voice of America has improved greatly in the last few months. It must improve still more. A few weeks

ago I heard an escaped official from a country which the Russians have captured tell of his listening with a few friends to a concealed short-wave receiver in a barn. This listening was done at some risk in view of their known opposition to Communist tyranny. What was the Voice of America broadcasting to these beleaguered people? It was a meeting of the Parent Teachers' Association of Los Angeles, and the subject under discussion was whether or not there should be a new floor in the school gymnasium!

Now the original purpose of broadcasts of this sort was a valid one. It was to spread abroad in the world some knowledge of the day-by-day interests, activities, and ways of thinking and acting of the American people. The propaganda was to be pitched in a low key but to be pervasive, continuous, and effective. That method has merit in a world such as we like to imagine the world is or ought to be, but it was a grievous disappointment to those hidden patriots in the central European barn. For them we must have stronger meat. We must fill the air with the truthful news of world events which affect their position and their hopes for the future. Not merely for those who have been conquered but for the citizens of the Communist homeland. There must be such a flood of economic, political, and general information as will paint for them a new background against which to pose the false propaganda by which they are now fed.

The Military Mind Should Not Rule

But we have just as important political activities to carry out among the Western nations which still remain free. It was something more than political ineptness, it was military folly to have let loose the suggestion that we might have to base our operations on the Spanish side of the Pyrenees if it came to a shooting war in Europe. That meant that we contemplated the abandonment to the mercy of the Russians of all Europe except Franco's Fascist paradise, and expected to have to fight our way foot by foot over all that twice-ravaged territory before we could be assured a final victory. The stupidity of this proposal is beyond description in any language fit to be spoken aloud.

This brings us to a consideration of our military policies. It must be made clearly evident to the Armed Forces that they are not the determinants of political and economic policy. They are its instruments. They are the organized tools with which the intertwined political and economic policies of the nation are carried out.

A practical limit on military dominance is set by economic necessity in a nation which will refuse to become a garrison state at the service of its military

leaders. Anything much greater than the fifteen billions we are now devoting to the Services will make the future rapid progress of inflation incapable, because money and equipment will be drawn away from the production of civilian goods and the money supply available for the purchase of those diminished goods will be increased. We must set limits both in men and in money to the amounts we will devote to our military preparations.

Within these limits, however, we must be wise and farseeing enough to set up military programs which will be effective in conjunction with an effective program for European recovery. The nature of those policies can now, I believe, be clearly seen. Our part in the defense of Western civilization will be to establish command of the sea and air, to become again the arsenal of democracy, and to develop and teach new techniques.

As for the sea, there are no hostile navies for us to fight. The new task of the Navy is to protect the lines of communication between ourselves and the rest of the world. Conjointly with Canada and England, she must protect the merchant marine against air attack. She must develop means of detecting and destroying the most serious menace which the later months of the war developed to the successful conclusion of a European campaign. Her developments, energies, techniques, and training must be focused on the snorkel submarine, of which the Russians have a considerable number. The destructiveness of these vessels is so great that they might have changed the course of the Second World War had they been developed earlier.

The proposed supercarriers are no part of this picture in my own nonprofessional judgment. If we cannot maintain, protect, and use major air fields in England and on the Continent, the war is lost.

Our nation must rule the air, and there must be no doubt about this. Our political policies must provide us with air bases, strategically located within easy reach of all dangerous areas. Fortunately, this development is well under way. We must be sure that the Air Force knows that it is not a complete instrument of warfare in itself. It must learn to submerge itself in and support a complete and coherent political and military strategy.

Europe Must Defend Its Own

The role of the United States Army does not lie in furnishing millions of men for a mud-slogging fight across fifteen hundred miles of western Europe. Its defenders must be already there defending their own families and country. As in the days of Nehemiah, each man will find his battle station over against his own house. The forte of the

Army is to develop arms, ammunition, techniques, and to teach their use. If we depend on our men for the main supply of infantry soldiers in any possible future conflict far from our shores, we will not merely have lost the war. We will have lost our political and social institutions and reduced the scale of living of our people to a basis of low subsistence. If, however, we can be prepared in the case of conflict with Russia to start from Germany instead of Spain, if our land forces are made up of the peoples of European nations determined to protect their own soil by conflict on foreign soil, if we can support them by an overwhelming air protective canopy and offensive force, and if our Navy can insure a constant stream of military supplies which our Army has developed and whose use it has taught, then our moderate assignment of man power is adequate to the struggle.

It is true that the training of effective armies of defense by the natives of western Europe will place upon them an economic burden which will slow down their own recovery and limit civilian consumption and enjoyment of goods and services. The contribution which it is proposed that we make will likewise retard improvement in our own standard of living. The point is that defense against this massive attack cannot be made without sacrifice, and the proposed division of effort apportions the burden in such a way that each nation takes on that which it is best prepared to bear.

More Defense for Less Money

It is certain there is much we can do in this country to get more security for less money. No one who deals with the Armed Services in a business way escapes the conviction that there is great waste in our current practices—waste both in material and in man power. A fundamental difficulty lies in the fact that unification is still a name and not a fact. It should be obvious without too much argument that the problem of security is a single problem and requires a single staff to plan and organize it. A single chief of staff is likewise obviously necessary if we are to become a major element in a combined security program.

All of this points up to the final responsibility which will devolve upon us and which we will wholeheartedly undertake. Evidence of this wholeheartedness comes in the acceleration of our national research program. This is an arm far more potent than the leg and back muscles of millions of men. It is a mobilization of technical skills, experience, and the fruits of research which will count infinitely, as against a multitude of American citizens translated into obedient foot soldiers.

These suggestions as to our policies in the United Nations, in European recovery, in international political policy, and in our own military strength are all aimed at shifting in this contest from a defensive to an offensive position. This offensive position can be carried definitely short of a war which we must never declare ourselves, but which Russia in view of her publicly expressed purposes may declare on us.

We can, through the Armed Services and by such methods as were used by the OSS during the war, begin the disintegration of the tyrannies now established in nations who are unwilling satellites of Russia. We can help to widen the existing cracks which are beginning to show here and there in the relations between Russia and her satellites.

As we more rapidly build up the support in arms and armament of the nations allied with us, we can begin (should need arise) to repay in Russia's own coin. If, for instance, the air corridor problem in Berlin remains unsolved, might not the country through which the Bosphorus flows find it necessary to "close it for repairs," as the highways and railroads into Berlin were closed? Possibilities of this sort, and of which this is only one example, could be multiplied by a little ingenious thinking.

And, Finally, the Way Out

Yet there is something unsatisfactory about all of this. There is nothing in it which is healing. There is nothing in it that offers a way out for the peoples of Russia and the peoples of the Western nations who are the real sufferers from a conflict like the one which Russia is forcing upon us. We must build up and exhibit to the world, and particularly to the Russian people, the alternative to all this destructive effort.

That alternative, to be simultaneously developed along with our political and military offensive, I conceive to lie in the rebuilding and strengthening of the United Nations. It involves particularly such a provision of its own military forces as will permit the United Nations to take over the garrisoning of former enemy countries, the protection for all the nations of the world (including Russia) of the narrow sea passages, and the ability to police the borders where any nation with weak military and economic strength finds itself with internal partisan forces being supported in a material way from the outside.

The rebuilding of the United Nations will also involve the determination of an area in which it shall have legislative authority. That area will be difficult to define and should not be widened by enthusiastic idealism beyond the points of immediate practicability.

The Sleeping Risk

By Maple T. Harl

Chairman of the Federal Deposit Insurance Corporation

In this conclusion to the 1948 annual report of the Federal Deposit Insurance Corporation, Mr. Harl suggests that as a general experience the ecstasy of profit with almost no risk may be creating a fond delusion in the mind of business, and that even the low count of business failures may be a sign of weakness.—Editor.

EXCEPTIONAL events have altered the pattern of business developments in the United States, in such a manner that temporarily risk seems to have become an almost negligible factor in the business picture. Recovery from the paralysis of the great depression, the intense activity induced by wartime demand, and the easy prosperity of post-war inflation have each in turn reduced the risk of loss in operating business enterprise.

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One measure of the extent of this change is furnished by the fact that twice the number of corporations are now showing profits after taxes as were doing so in 1938.

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Similar evidence is provided by the record of business failures. Whereas the records for many years show that approximately 10 firms in 1,000 fail annually, for the past five years the average has been less than 1 in 1,000 per year—that rate is only one tenth as great as the long-time average. Never before has United States business experienced so prolonged a period in which there were so few failures. In the past, losses have proved themselves a stabilizing and corrective factor, eliminating inefficiency and poor management. In contrast with this process of elimination by competition, the continued inflationary rise in the value of inventories has concealed the weakness of many existing firms. Because of this undisclosed situation it is possible that exceptionally large numbers of failures may occur after a few months of stationary or declining prices.

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The banks have shared in the general prosperity of the country. Bank earnings have been good even though they were not at as high a rate as those shown by many business and industrial groups. Many of the bad and doubtful debts which have been written off in the early days of the recovery developed values which could be realized. Particularly during the war years, a number of securities

which had been deemed worthless before the war made excellent recoveries.

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With the end of the war and the tapering off of government credit for industrial production came a rise in demand for loans. Banks once again undertook the financing of current business enterprise on a substantial scale. Since prosperity prevailed in nearly all areas and all lines of business the proportion of such loans which proved poor became unprecedentedly low. Comparatively few firms have been unable to meet their obligations at maturity. In such an exceptional period, it has been easy for the impression to spread that risk has become negligible and that loans could now be made safely without regard to the traditional rules of caution.

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The long-time experience of United States business shows no period similar to the present in which credit losses and inventory losses have been so low.

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Now is the time to complete the writing off of doubtful risks. Without disturbing efficiently managed enterprise, it should be possible to reduce the line of credit extended to firms which have been surviving only on the strength of inflation. Above all, this is the time for building up a capital and reserve position so that the officers and directors may look to the future with equanimity knowing that all is in good trim to meet such storms as may lie ahead.

Out of Chaos in Four Steps

EACH year there is a Congress of Swiss Bankers to discuss the state of the world from the point of view of a sane banking fraternity. At this year's meeting Maurice Golay, manager of the Swiss Banking Corporation, declared that if Europe returned to sound principles everybody would be astonished to discover the existence of abundant latent resources, needing only a revival of confidence to be forthcoming. The Marshall Plan might be compared to a bank credit, temporary in character, which should be granted only to those worthy of it and able by its use to make themselves self-supporting. And Europe, he said, could be self-supporting if she would:

- (1) Work hard;
- (2) Allow men and merchandise to move freely in response to demand;
- (3) Put faith in the material and psychological efficacy of balanced budgets; and
- (4) Renounce all theories not in accord with the established laws of liberal economy.

LETTERS

Below are several of a number of letters about a pamphlet entitled "Packaged Thinking for Women," which appeared as a supplement to the Autumn Number of AMERICAN AFFAIRS.

To the Editor of AMERICAN AFFAIRS:

We regret that the National Industrial Conference Board would issue a publication such as the recent *Ameriaan Affairs Pamphlet* entitled "Packaged Thinking for Women." A casual examination by our editors of the manner in which the League of Women Voters of the United States determines its program and conducts its activities, which are a matter of public record, would have revealed that the pamphlet is replete with misstatements of fact and unwarranted insinuations.

ANNA LORD STRAUSS

League of Women Voters of the United States
Washington, D. C.

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To the Editor of AMERICAN AFFAIRS:

I am writing in behalf of the National Women's Trade Union League, a member of the Women's Joint Congressional Committee, to protest the inaccuracies in, and the false impression created by, the *American Affairs Pamphlet* entitled "Packaged Thinking for Women" by Lucille Cardin Crain and Anne Burrows Hamilton.

One of the recurrent themes of the pamphlet is that the WJCC tells the members of its 21 constituent organizations what to think and how to translate their thoughts into action; and that the WJCC, in the first instance, is told what to think by the various government departments. Nothing could be further from the truth. In the first place, since—as stated in the by-laws—"the Women's Joint Congressional Committee is a clearing-house for the legislative work of national organizations," the *thinking* has already been done and a program mapped out, by the members of the individual organizations, and they simply act together to promote the various pieces of federal legislation on which the organizations have already taken a stand. Therefore, there is no opportunity for *thinking* to be imposed on the individual organizations by the WJCC, even if it were possible to be done, which it is not. The two ladies who wrote the article are very loose thinkers themselves, since they cannot seem to grasp the facts they correctly quote on page 6 of the pamphlet: that the working committees of the WJCC—its legislative committees—are constituted "whenever five or more member organizations have taken similar action on any measure. . . . Each legislative committee elects its own chairman and secretary and conducts its business *independently* of the WJCC as such." (Underscoring mine.) This means that only organizations that have already taken a stand on any piece of legislation are involved in activity on it, and that no piece of legislation is ever endorsed by the WJCC as a whole. In this

way each organization is safeguarded by being able to work cooperatively for the items on its program while, at the same time, being free from involvement in items not on its program. This system has worked very well for twenty-eight years.

Every one of the 21 member organizations of the WJCC has a program *evolved democratically* by its own membership, in the majority of cases at their annual or biennial conventions. The usual procedure is for an organization to send to every one of its local units, well in advance of the convention, a proposed legislative program to be considered carefully and discussed beforehand, so that the delegates may fairly represent the opinion of the local membership on each item at the convention. It would be utterly impossible for anyone—individual, organization, or government agency—to impose thinking en masse upon the member organizations of the WJCC.

The innuendo contained in the short paragraph on page 5 regarding finances of the WJCC is quite obnoxious. It is a simple fact that the WJCC "never has received any other funds" besides the \$12.50 annual membership fee (which used to be \$10.00) from each organization. Furthermore, many of the representatives on the WJCC work for their organizations entirely on a volunteer basis, and the rest, to my knowledge, receive very modest salaries. The great majority are women with a genuine interest in the welfare of all the people.

MRS. MARGARET F. STONE

Washington, D. C.

Chairman of Legislation

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To the Authors:

Your pamphlet "Packaged Thinking for Women" has fortified my contention with facts and figures and I am most appreciative of the splendid work you have done. I have been aware of the effects of this situation in the various women's clubs, but never have been able to prove my point other than calling attention to the "leftist" stand taken from time to time by national organizations in regard to some piece of legislation. I sincerely hope your pamphlet will begin to awaken women to see how they are being used.

In your last paragraph you say: "It is furthermore implicit in the American tradition, which if it is forsaken by women, will be lost." This has been a personal project of mine for some time, to help awaken women to their responsibilities as citizens. The necessity for this has come from five years' experience as a member of the NAM staff here in the west. My work with women's clubs in endeavoring to bring them management's story showed me how far away from traditional principles the thinking of American women had traveled.

San Francisco, California

VERNA M. HALL

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To the Authors:

"Packaged Thinking for Women" is a grand job. My heartiest congratulations to you. One (of the many things) I liked about your pamphlet is its conclusion.

Almost every booklet or "letter" I receive these days points to some terrible or terrifying thing that is happening, but never gives the reader any clue to what might be done about it.

Bronxville, New York

J. HOWARD RHOADES

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To the Authors:

I have just read "Packaged Thinking for Women." It is terrific. Its accumulation of documented facts will be of tremendous help.

RALPH W. GWINN

Member of Congress

Washington, D. C.

To the Authors:

"Packaged Thinking for Women" came to me through our regular membership in the National Industrial Conference Board and both Mrs. Rucker and I read it with close attention. It is a masterly document and in my judgment ought to be the topic of several discussions in every Women's Organization in the country with special attention by the League of Women Voters!

Cambridge, Mass.

A. W. RUCKER

The Eddy-Rucker-Nickels Company

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To the Authors:

The tragedy of all this is that, judging from the election, the American people like their thinking packaged. As a result we are the slaves to the willfully unemployed and the various alphabet agencies. Your pamphlet certainly woke me up to a lot of things I've been missing. It is terrifying. You've done a splendid job, and I certainly congratulate and thank you.

St. Michaels, Maryland

MRS. HENDRIK BOORAEM

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To the Editor of AMERICAN AFFAIRS:

We have recently seen a copy of your pamphlet "Packaged Thinking for Women" and feel it is an outstanding contribution toward enlightening us on the insidious methods now being widely used for influencing uninformed women.

Pasadena, Calif.

B. J. NORCOTT

Assistant to Mrs. Morgan Padelford,
President, National Association of Pro America

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To the Editor of AMERICAN AFFAIRS:

The pamphlet "Packaged Thinking," enclosed with the last issue of AMERICAN AFFAIRS, ought to be in the hands of every woman and most men in the United States. Where formerly we Americans looked with disdain on propaganda as practiced in Europe, especially in Germany, some among us saw in it a useful technique, and then all of us to some extent fell prey to its shrewd use.

Of course, we are all against sin. So an emotional appeal to enlist us in an effort to put it down usually

strikes a responsive chord, and it is only the thinking person that discovers that he has enlisted to fight what he was told was sin but which on closer examination proves to be some of his most cherished principles deliberately dressed up to look like sin.

I have thought for many years that the United States Department of State has been the leader in the use of such propaganda tactics. They have been shrewd in its use and eminently successful in the results obtained. Not the least of their shrewdness was their particular cultivation of women's organizations, for women are obviously a most powerful influence in the world.

I cannot know the motivation of the few women who become leaders in spreading the propaganda. Surely, they are of the highest intelligence, and so it is difficult to believe that they are themselves being fooled. But I know that a great many women constituting the rank and file of these organizations are beguiled and deceived through their desire to be informed, to be educated in subjects unfamiliar to them. The tragedy lies in the fact that only a little reflection would enable them to see that education consists in looking at both sides of a question, whereas in propaganda only that side is shown which the propagandist wants them to see. Should any woman want to put this to the test, let her write to the local branch of her organization and ask some questions or ask them in meeting. Disillusionment will quickly be hers.

I always have admired the willingness of people criticized in the pamphlet to go out and fight for what they want. To what extent have we who think differently tried to reach the same audiences in the same way, if not at the same time? If they heard both sides, they would know more about what was being discussed.

Wilmington, Del.

ELVIN H. KILLHEFFER

Consulting Economist

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To the Editor of AMERICAN AFFAIRS:

I think "Packaged Thinking for Women" is startling—startling that any group of people can think so inaccurately and so confidently. Men are part of the Foreign Policy Association and hear Vera M. Dean as well as women. Men also are subjected to the views of the Town Meeting. Are you amazed because a form of lobbying is going on in the interest of health, children's welfare, education, etc., rather than with the emphasis on economics, industry and banking? I am against all lobbies, not just women. I do not believe in pressure politics. I hate writing to my congressman or my senator and hardly ever do, although I do belong to an active League of Women Voters and I believe entirely in almost every last organization listed on your black list. The only advantage of women's suffrage, I think, is that emphasis can be brought to a congress of men on bills connected with health, education, etc., and presented to them as of importance to democracy. I was pretty well shocked by your pamphlet. I am (1) an Episcopalian, (2) a Republican, (3) a capitalist, deriving my whole income from inherited wealth, (4) a mother of three children, (5) a grandmother of four. I am not shooting off my head. I am seriously concerned

by the type of conservatism that I believe has elected Truman. In my view your pamphlet is part of that way of thinking.

Boston, Massachusetts MARGARET B. PIERCE

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To the Editor of AMERICAN AFFAIRS:

I am an active member of the League of Women Voters of Hamden who often has resented being told what letters to write to my congressman. Please send ten copies of "Packaged Thinking for Women."

Hamden, Conn. ABINA H. WALL

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To the Editor of AMERICAN AFFAIRS:

Dr. Mattie Lloyd Wooten of Texas State College for Women recommended "Packaged Thinking for Women" so highly in a talk before a large group of women recently that she made us all want a copy. She gave me the address but not the price. I write a daily column for women.

Fort Worth, Texas EDITH ALDERMAN DEEN

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To the Editor of AMERICAN AFFAIRS:

We read with great interest your pamphlet "Packaged Thinking for Women." It struck a note which has been troubling us for some time and worrying us because we have felt that we have been aiding the evils of the system you describe without being able to combat them. We have fought, but the wheels of the machine have been so greased that they slipped right over us.

The background is this—We in Allegheny County have a branch of the League of Woman Voters. Our membership is between 1,900 and 2,000. We are respected and, as a result, have a certain amount of influence in our community. Year in and year out, we have been fighting the methods of our national organization, particularly in the way it has set up its program. The current agenda is always stated in very indefinite terms and then the National Board interprets it and decides what legislation will be supported, or fought. There is seldom any definite clear-cut policy formulated at the National Convention. Many of the things the National Board is for, we are against; and while we are privileged not to work for them, we are denied the right as an organization to work against them; yet we by our silence are counted as among those who support the measures because we belong to the National League and are supporting it financially. In local policies we have had a very free hand just because we have taken it, and it is at the local level we have gained prestige.

Two years ago at the National Convention they reorganized and tightened the organization by laying down standards which the local leagues must live up to or not be a recognized part of the National. We for years have been the Allegheny County League of Women Voters, but now we must change to conform

and be the League of Women Voters of Allegheny County. (We are incorporated and it would be expensive to change. In addition, we wish to keep our trade name.)

Our purpose in our constitution is worded slightly different from the standard, but is, in essence, the same, yet they demand we must be identical, word for word.

They claim we do not raise our money in the approved way which is by personal solicitation. We have entertainments, etc., plus personal solicitations to raise money.

They claim we haven't enough members for the size of the community and not a representative cross section. Philadelphia has only about one fourth the membership we have, but they are dogma perfect and are not criticized.

Our most grievous sin is that we don't give enough money to the State and National. In their eyes we are rich and we are successful, but we believe that we should spend the bulk of our money at home where the real educational program is carried on.

We were requested to change our by-laws and mend our ways. The Allegheny County Board did have new by-laws drawn up to conform and we presented them at our annual meeting in May. The members flatly turned down all the recommendations but one and cut our former contribution by \$400.00. As a result, the National President said that she must recommend to the National Board that we be disaffiliated. The State Board at its September meeting recommended that we be disaffiliated. We expect the National Board will expel us at its next meeting. The vote at our annual meeting was so nearly unanimous that we are satisfied that our stand is correct. Our problem now is to explain to the public our position. If we could make it forceful enough, it would be helpful to others, both in our organization and other organizations, to throw off the yoke which has been put upon us.

The moment the League becomes a pressure group it destroys its primary objective: education. We local league women who write to our congressmen at the dictates of any little inner group in Washington are not developing our own powers for political action. We are borrowing the minds of others—there are too many borrowed ideas in America—too few independent ones.

A socialistic state seems to be our present destination unless we can stop it. Our belief is that if America is to live on as a free nation we must have individual initiative and intelligent political action. The apathetic like ready-made ideas but we believe they are dangerous.

It might interest you to know that I didn't know about the Women's Joint Congressional Committee or of the League's affiliation with it until I read your pamphlet. This in spite of the fact that I was seven years president of the Pennsylvania League of Women Voters and active for twenty-eight years in the Allegheny County League.

(ELIZA KENNEDY SMITH)

MRS. R. TEMPLETON SMITH

President, Allegheny County League of Women Voters
Pittsburgh, Pa.

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(*Supplement to the Winter Number, 1949*)

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