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SUPPLEMENT

American Primer
(Revised Edition)
BY AGNES MORLEY CLEAVELAND
An American Affairs Pamphlet

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

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Comment

By the Editor

AND so, says the President's Council of Economic Advisers: "In the jagged manner which is typical of the progress of social policy in this country, we shall move in developing our own peculiar pattern of business and government activity in a mixed economy which is neither a planned society nor a system of laissez-faire." The President says it differently. He says that what we are going to have is an economy that will be "planned," but not "controlled." In any case, it is the new order of American society, and whether you say with the President's Council of Economic Advisers that it will be neither planned nor free, or say with the President that it will be planned but not controlled, the question is: What will the government's part be? What does the government undertake to do? It undertakes to maintain a high level of employment and economic stability from now on. That is to say, it proposes to stabilize the American economy at the peak of its greatest boom. There shall be no bust. The idea is magnificent and unique. Business alone could not do it. Firstly, business wouldn't know how; secondly, if it thought it knew how it couldn't command the resources. What then are the government's resources? The President's Council of Economic Advisers looks at them. This it does under the heading, "From Inflation to Stability," in its January report to the President, beginning on page 74. As you read it you may begin to realize what a complex thing a mixed economy turns out to be. Nothing is what it seems. Take the $42 billion budget. Did you read the figures with alarm? When the Republicans said they were going to scrutinize it, did you say to yourself that a budget of $42 billion cannot be scrutinized? And when, within a fortnight, half a billion of forgotten things had been added, did you say to yourself: "It is worse than we thought. We thought only that the people had lost control of government. Now it is evident that the government itself has lost control of government."

Well, whatever you said or thought about it, there is much yet to learn about a mixed economy. What you take to be an ominous liability becomes in fact an economic asset. The President's Council of Economic Advisers says:

"In general large government budgets make the economy more resistant to shock and on the revenue side the progressive income tax increases flexibility."

Why? Because the government thereby acquires an enormous power over the economy—a power either to let or to hinder, according to a . . . well, according to what? The word would be plan. According to a plan. Yet the Council of Economic Advisers says it is not going to be a planned society. So one must say according to policies recommended by the Council of Economic Advisers, unless you take the President's word for it that it will be a planned but not a controlled society, and then you might say, according to an uncontrolled plan. At this point it seems a little confused. However, what is true of the budget, which turns happily into a device for saving us from bust, so it is with such matters as social security and taxation. Have you been thinking of expanded social security programs as a burden, increasing perhaps too fast, or of taxation as something you have to deduct from your income to support the necessary expansion of government? But these things, too, have their other aspects. They all add to those resources which will be employed by the government to stabilize the economy at the top of a boom. The President's Council of Economic Advisers, page 76 of the January report, says:

"These social security programs, minimum wage laws, and tax revisions are recommended on the ground of social objectives. These same programs, however, have an important economic impact and may help to maintain or increase the purchasing power of a considerable sector of the people."

This thought it goes on to elaborate:

"One type of public policy, the expansion of social security programs, is particularly appropriate now because it would strengthen mass purchasing power and markets in the long run, while contributing immedi-
ately to the restraint of inflationary pressures. By increasing the coverage and benefits of unemployment and old age insurance, by introducing disability and health insurance, and by providing more adequate public assistance, we would thus contribute toward that reconciliation of immediate and longer-run needs which is so difficult to achieve through the market mechanism.

"To have the optimum immediate anti-inflationary effect, pay roll taxes should be increased by more than the increase in benefit payments. To have the optimum long-range stabilizing effect, the expansion of these programs should not be financed exclusively by pay roll taxes. It should draw some support in future years from general budget sources."

The simple statement of the theory is to say that when people are spending money in a reckless manner, or in any case too fast, the government will hinder their buying power by impounding some of their income, and then at the first sight of depression it will begin to release it back to them as they need it, or as the economy needs it. With infinite wisdom at the top, acting upon a docile people, that might produce the great desideratum, which is stability.

ONE weakness of a mixed economy is that it leaves wilful people around, and there is no telling what wilful people will do. Politics will come in. For example, the Council of Economic Advisers says of the government's policy of supporting farm prices that even if it did not believe it wise, still it would be obliged to accept it because "a long legislative history has attested the strength of popular affirmation." And it says that while the "government's housing program, with its deliberate promotion of easy credit, may seem an anomaly in a period when the country is seriously concerned over an inflationary movement," still it must be accepted because people demand houses. Nor is that all. Congress itself gets the idea; and any idea the Congress gets about using the economic power of government will be on the side of inflation, because that is what the people like. There is a long legislative history to prove it. The President's Council of Economic Advisers says the Employment Act of 1946, which created it and under which it now functions, is quite enough. Nevertheless, comes now the Full Employment Act of 1950. This is a bill that has been introduced in both the Senate and the House. It proposes to reorganize the Reconstruction Finance Corporation, which is already the government's single most powerful credit machine, and to create within it what may be called the Capital Development Fund, with resources of $15 billion, which shall be loaned or granted to public and private agencies, to cooperatives, to the states and to the TVA and similar regional authorities, all for the purpose of maintaining "desirable levels of investment, not only nationally but regionally," and "vigorously to encourage investment in such industries and business enterprises as are currently and prospectively underdeveloped."

In a joint statement the sponsors of this bill say it will give the President an "operating arm." It is clearly in line with the President's idea that when private enterprise, even at the top of a boom, fails to expand its capacity as fast as the government thinks it should, as for example, steel capacity, then it is time for the government to act in the public interest. It will say to private enterprise: "If you can't or won't the government will."

AFTER having conducted for a century and a half the most successful profit and loss system that ever existed you might think we should know all there is to know about profit. But it turns out that we know only the elementary arithmetic of the subject, and not all of that. When we come to the meaning and function of profit our ignorance is painful. The President's Council of Economic Advisers says the profits of business were too high in 1947 and again in 1948. Too high in relation to what? It says "profits on the whole were above the levels necessary to furnish incentive and funds for the expansion of business and to promote the sustained health of the economy." What that means is that if profits were lower there would be less incentive for business to expand its productive capacity, wherefore, instead of putting so much new money into tools it would produce more of the things that satisfy people's everyday wants. But at the same time the President is proposing that the government shall provide public capital to increase the country's productive capacity. Therefore, profits are too low. At least they are not high enough to give business the incentive to increase its own capacity enough. Then a Joint Congressional Committee holds a series of hearings on profits. What are they? Why are they? If they are too high what can be done about it? Two eminent economists appear, both from Harvard. Professor Sumner H. Slichter says that notwithstanding the enormous investments in new capacity, largely out of profits, American industry is still far behind. Therefore, profits are not too high. They are in fact not high enough. On the other side, Professor Seymour Harris is not convinced by this argument for higher profits. He thinks business has been spending too much on expansion. If profits were lower it would spend less for new capacity and this would "reduce the weight
of one of the greatest inflationary factors." Then come the labor economists, supported by government experts, saying that out of these high profits higher wages could be paid. But this is the great fallacy. Wages are not paid out of profits. They are paid out of production. Proof that they are not paid out of profits is that while profits are extremely variable, wages are uniform. Of two corporations in the same field, producing competitive products for the same market, one may be highly profitable and the other may be in the red, but both will pay the same wages. So in all this time what have we learned about profit? So little really that everybody is startled when the Standard Steel Spring Company takes pages of advertising space in the daily newspapers, not to defend high profits by academic argument, but to defend the profit and loss system itself. It says:

"Every move we make to limit profits in this country carries every last one of us dangerously closer to the tyranny of systems in which we want no part."

This is the ultimate truth. All other discussion is puerile and specious. People who talk of doing something about profits because they happen to be large ought to be made first to answer this question: Do you want to destroy our free profit and loss system? In a free profit and loss system the driving force is profit. To limit profit in any way, even to tax it, is folly, because thereby you limit the driving force. In a free profit and loss system profits will limit themselves. That is to say, competition will limit them if you let the natural law work. But if you limit them otherwise, if the government limits them by law, then what will you do when the loss comes? Having limited the profit, the government will have to do something about the loss, too, when the loss comes, and what happens next is a system "in which we want no part." Or do we?

THE President's idea of a planned economy is set forth in the "Economic Stability Act of 1949." This is what is called an Administration bill. It was sent from the White House to Congress, introduced in the House by Representative Spence, and referred to the Committee on Banking and Currency, where it lies. The present expectation is that it may pass the House fairly intact and then come apart in the Senate. Whatever the Congress may do with the bill, its significance as a revelation of the executive will of government will stand. If it were enacted as written, the President would be invested with the following powers:

(1) To determine goals for American industry, as the socialist government of Great Britain does for British industry;
(2) To develop and administer such federal programs as may be deemed necessary to supplement the efforts of private industry to achieve the goals;
(3) To provide public funds "for the expansion of capacity and production," and to do this "without regard to the limitations of existing law";
(4) To contract with private persons to operate the new industrial capacity created with public funds, and to acquire all the necessary property by purchase or lease, and to do this also "without regard to the limitations of existing law";
(5) To engage in state trading; i.e., to procure essential materials abroad, either for the use of the government itself in its undertaking to supplement private enterprise or for resale in the United States, "particularly to small and independent enterprises," and this again "without regard to the limitations of existing law";
(6) To transport, store, process and refine the materials procured by state trading;
(7) To control the distribution of goods by priorities and allocations, under voluntary arrangements if possible, in a mandatory manner, if necessary;
(8) To fix maximum prices;
(9) To govern wages.

Money? No limit. Section 106 reads: "There are authorized to be appropriated such sums as may be necessary to carry out this Act." The customary genuflection to free enterprise was forgotten in the preamble. In the declaration of policy the purpose of the act is said to be to remedy conditions that "have impeded maximum production, have reduced the purchasing power of the dollar, have jeopardized the continuation of useful employment opportunities, and in these and other respects threaten the flow of commerce among the several states and with foreign nations, the national security, the carrying out of the foreign policy of the United States, the general welfare, and the maintenance of economic stability."

In a letter to The New York Times, Professor Leon H. Keyserling, of the President's Council of Economic Advisers, said:

"The bill is a moderate implementation of the program which the President sent to the Congress in his State of the Union message and his Economic Report, in January."
The New York Times had said:

“As a combination of political expediency and arrogant economic planning, this measure seems calculated thoroughly to alienate the support of every legislator who believes that the American system of free enterprise is not a philosophy that you doff with a change in the weather, a change of seasons or even a change in the political complexion of the administration.”

The Washington Post says:

“The President’s intolerance of dissent and his assumption that what he considers best for the people is precisely what the people need is the type of thinking that put in power men like Hitler and Mussolini and enabled other dictators to defend suppression of free speech and free elections as a protection against enemies of the public welfare.”

True, the act says that the powers conferred upon the President shall expire in 1951. But to renew them might require only a stronger preamble; and, moreover, it is a well-known fact of political zoology that to regurgitate power is an unnatural act of government.

THE United Nations Commission on Human Rights (Mrs. Eleanor Roosevelt, chairman) evidently had a great deal of trouble with the subject of private property. In the draft of a Covenant of Human Rights promulgated in December, 1947, it was simply left out. When the omission was noticed the State Department explained that “the beginning must be relatively modest.” The Commission on Human Rights then went on to perfect a Universal Declaration of Human Rights, a declaration only, not a covenant, not a treaty. In Paris, last December, the General Assembly of the United Nations adopted the Declaration, and Mrs. Roosevelt said it might “well become the International Magna Charta of all men everywhere.” In this Universal Declaration of Human Rights there is an article on private property (Article 17) and it reads as follows:

“Everyone has the right to own property alone as well as in association with others. No one shall be arbitrarily deprived of his property.”

This is a flabby compromise. What kind of property? Personal property or capital property privately owned? Would pots and pans do? Why should the right to own property be asserted or guaranteed in this vague way? Why shouldn’t everyone’s right to use and enjoy private property be assumed, as it is in the Constitution of the United States? The Constitution says:

“No person shall be deprived of life, liberty or property without due process of law, nor shall private property be taken for public use without just compensation.”

The Russians did not sign the Universal Declaration of Human Rights, but so far as Article 17 goes, they might as well have signed it, because that article is not inconsistent with the constitution of the Union of Soviet Socialist Republics, which reads:

“The rights of citizens to personal ownership of their incomes from work and of their savings, of their dwelling-houses and subsidiary household economy, their household furniture and utensils and articles of personal use and convenience, as well as the right of inheritance of personal property of citizens, is protected by law.”

This refers to personal property, not capital property privately owned, as you see when you go on to read:

“The socialist system of economy and the socialist ownership of the means and instruments of production firmly established as a result of the abolition of the capitalist system of economy, the abrogation of private ownership of the means and instruments of production and the abolition of the exploitation of man by man, constitute the economic foundation of the U.S.S.R.”

Article 17 of the Universal Declaration of Human Rights is not inconsistent with anything there. It, too, may be held to refer to personal property, not capital property.

NEXT to private property, the subject that gave the Commission of Human Rights the most trouble was freedom of contrary expression. Article 19 seems to go all the way. It reads:

“Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.”

Then the limitation is set out in Article 29, which reads:

“These rights and freedoms may in no case be exercised contrary to the purposes and principles of the United Nations.”

So this freedom of expression may not be exercised, for example, to attack the United Nations, its principles or its purposes. Compare Article 1 of our own Bill of Rights, embedded in the Constitution of the United States. It says:

“Congress shall make no law abridging the freedom of speech or of the press.”
This is not a declaration of the right to freedom of speech. It is a specific denial of the power of Congress to pass any law that would abridge that freedom—and that is a very different thing. Imagine that to Article 1 of our Bill of Rights there should have been added this limitation: “The freedom of speech and of the press herein guaranteed may in no case be exercised contrary to the purposes and principles of the United States Government.” In that case, what would the American Bill of Rights have been worth? What would have become of political freedom in this country?

On Saving Europe

Every idea we have had about saving Europe with dollars has presently withered. It is a fact that needs to be grimly examined. First came the Bretton Woods Agreements, under which the American Government agreed to provide $6 billion toward setting up the International Monetary Fund, which would stabilize the currencies of the world, and the International Bank, which would lend cheap capital everywhere for rehabilitation and development. The expectations were emotional and extravagant. During the debate in Congress on the bill to implement the Bretton Woods Agreements, one Senator said:

“If the voice of the people is the voice of God, we certainly have irrefutable testimony in behalf of this legislation.”

And another:

“It has come to represent a symbol of our sincerity. Destruction of it or injury to that symbol would be a brutal blow to the morale of the world.”

On the other side of the Capitol, our Representative said:

“Everybody is in favor of this bill except those who would vote against the Ten Commandments as a part of our national policy.”

All that the International Monetary Fund did was to stabilize the currencies of the world to the point of rigor mortis, thereby obstructing trade, and the resources of the International Bank have never been much employed because nations with good collateral were not anxious to borrow and nations with poor collateral were expecting to get dollars for nothing. Notwithstanding the notion that these measures would save Europe and restore the postwar world, it was necessary almost immediately to save Great Britain with a special loan of $4.4 billion. The British were disappointed. They had expected a gift not a loan. Nevertheless they took the loan and said in three years it would put England on her feet. That is what we thought. In less than a year the money was gone and Great Britain was worse off than before.

Then came the Marshall Plan, which was the idea of doing it once for all in a big way. If the nations of Europe would get together, pool their resources, and agree on what it would take over a period of four years to make them all solvent and self-supporting again, the dollars would be forthcoming. That was the beginning of ERP. Russia and her satellites were to be included, but they walked out of the Paris conference, and that left sixteen Marshall Plan countries in western Europe. In great haste they made up a consolidated statement of their probable deficits for the first year and sent it off to Washington, where by reason and guess it was cut to $5 billion. In April, 1948, Congress voted the money and created a bureau with great discretionary power to spend it. Marshall Plan cargoes of food and raw materials began to go forward at once, before there was any plan in Europe, because the need was desperate; and these cargoes, said The Times, London, “averted chaos by a hair’s breadth.” Meanwhile the Marshall Plan countries had set up the Organization for European Economic Cooperation (now referred to as OEEC) to work out a four-year plan. Months passed. Marshall Plan cargoes continued to go forward, and still there was no European plan. Mr. Hoffman, the American administrator, went several times to Europe to tell them that they had better agree on a plan, else it would be difficult to get Congress to vote money for the second year.

So at last, in January of this year, the OEEC, representing the Marshall Plan countries, brought forth an Interim Report on the Joint European Recovery Program.

It was still not a plan—this Interim Report on the Joint European Recovery Plan—not did it pretend to be; but it was a revealing document, and so realistically presented as to move The Economist in London to say:

“This means, of course, that the Marshall Plan, in the rather simple form originally conceived, cannot succeed within the time originally set.”

What each of the Marshall Plan countries did was to set out statistically its hopes and expectations, that is to say, its optimistic estimates of production and consumption, imports and exports, and balance of income, minus or plus, to the end of the Marshall Plan’s present life. What the OEEC did was to add up these figures, and what the figures showed was
that in 1952, when dollar aid is supposed to cease, the Marshall Plan countries will still be running a deficit of $1 billion to $3 billion a year, living that much beyond their means. The Economist said:

"The conclusion to be drawn from these figures is inescapable. Whatever its labors—and even the more moderate estimates proposed in the interim report demand heroic efforts—western Europe cannot achieve a balance by 1952 on the basis of its present plans, of its present standards of living, and of the existing conditions of world trade. If no further action is taken, the shock to the European economic system caused by the ending of foreign aid will bring such economic and social dislocation that political stability will be undermined."

What then? Shall western Europe become a permanent pensioner of the United States, or, as the only alternative, must she reduce her standard of living?

The Economist continued:

"Marshall aid was accepted very largely because it was thought of as the aid to end all aid. America was solemnly assured that four years would be enough. The discovery that this is not so will be greeted with indignation as well as regret.

"There is one way in which American indignation may possibly be forestalled. It does not inevitably follow from the forecasting of a dollar deficit in 1952 that further appropriations of the American taxpayers' money will be needed thereafter. American assistance will certainly be needed for many years to come, but it will be far healthier and more effective if it takes the form of assistance in removing the deficit than of charity in meeting it. There is a sense in which Marshall aid itself creates the dollar deficit. Certainly, as long as free dollars are forthcoming, there is something less than the maximum pressure on European nations to cut their imports to the bone. And so long as American purchasing power in world markets is buttressed by Marshall dollars, the odds are lengthened against that which is an essential ingredient in any ultimate rehabilitation of Europe.

"But even if American assistance, in the longer term, need not take the form of dollar grants, it will still inevitably require deep drafts on American generosity and breadth of mind. American export industry may have to reconcile itself to the permanent loss of its European markets; it may have to permit discrimination against itself. American capital may be invited to assist in the development of natural resources—in Africa, for example—which are at least in part substitutes for American sources of supply. Above all, American opinion may have to face the necessity of making a permanent and painful adjustment in its own economy.

"It has often been insisted in these columns that there were two elements in the dollar shortage—a European problem and an American problem. This is now clear for all the world to see. If Europe, after doing what it can, will still have a deficit of $3 billion, somebody will have a surplus of $3 billion. The one cannot be removed without the other. Certainly the debtors cannot, by taking thought and drawing up plans, remove their deficit unless the creditors will also take thought—and perhaps even draw up plans—about their surplus. The next stage should be a Marshall Plan for the creditors."

The concluding sentences are a confession of bankrupt thinking. Firstly, it does not follow that if Europe has a deficit of $3 billion the Americans have a corresponding surplus. That would be true if it were trade; but it would not be true if the Americans continued to give their goods away. This thought derives from the notion current in Europe that there is a vast American surplus that must somehow be got rid of, else the weight of it will wreck our economy, whereas any surplus that we have to give away represents an actual expenditure of American labor, resources and capital. Secondly, the suggestion of a Marshall Plan for the Americans, in case their give-away economics gets them into trouble, is a very bad jest.

WHAT was wrong with our thinking about Europe? Why have all of our calculations been disappointed? The answer is that we have been thinking of postwar restoration, whereas now it is clear—the Interim Report on the Joint European Recovery Plan makes it tragically clear—that the war has only intensified a crisis that nobody before was willing to face. Europe's economic base has crumbled. During the 19th century she grew very rich by the exchange of manufactured goods for cheap food and raw materials. For most of that time she had practically a monopoly of machine craft and was the principal supplier of an unmechanized world.

After 1870, Europe's share in the world's total exports of machine products began to fall. It fell from one third to one tenth, owing largely first to American and then to Japanese competition. Meanwhile her population had enormously increased, and how to feed it became more and more an anxiety, with the cost of food and raw materials always rising, relatively to the price at which she could sell her manufactured goods. Already before World War I Great Britain was living beyond her means, that is to say, she was consuming more than she currently produced. She was living on the fruits of past production, represented by invisible income from overseas investments. Between World War I and World War II the same became true of all western Europe. Exports did not pay for imports. In its trade with the United States, western Europe's deficit with the United States was running as high as $750 million a year. The loss of Europe's large investments dur-
ing World War II was the final blow. Now for the first time in all these years she is reduced to income from current production and the simple question is: How can she live on it?

In the January issue of Scope, a British magazine of industry, there was the following ominous statement about what are called the terms of trade between Europe and the rest of the world:

“We are frequently told that these ‘terms’ are against us, that our export drive would come much nearer to closing the currency gap if only the imports we have to buy (of which food is a substantial proportion) were not rising in price more than the goods that we are able to sell. This is usually presented as a piece of misfortune—as something rather unfair which we had no reason to expect. It is not really a matter of chance or bad luck at all. The world demand for food is so huge that a sellers’ market for all major foodstuffs is certain to persist. But the sellers’ market for industrial goods, other than for certain raw materials, is already crumbling as the war-caused shortages ease. These so-called ‘terms of trade’ are bound to be unfavorable to us, and increasingly unfavorable for many years to come. The old economic balance between industry and agriculture has changed. Industrial nations can no longer expect cheap food in return for their surplus manufactures.”

The conclusion is that the Malthusian climax is approaching—that “food shortage if not famine is no longer so distant from industrialized Europe.” In that case, the remedy is something much more drastic than anything yet proposed.

In his report on the Marshall Plan to the House of Commons, January 26, Sir Stafford Cripps, British Chancellor of the Exchequer, said:

“In present conditions—and so long as the dollar famine continues throughout the world—even with a favorable balance on our overseas payments, we shall not be paying our way. We cannot get from the non-dollar world with which we have our surpluses the dollars we require to wipe out the deficit on our dollar account. We still have to deal with the dollar deficit and get rid of it either by expanding our dollar earnings or reducing our dollar expenditure, and that we must accomplish in the comparatively short time before ERP comes to an end. Until this is done we continue to depend upon the assistance of the United States and Canada.”

Great Britain, he believed, could save herself. She could do it by selling more of her goods for dollars in North America and at the same time getting more and more of her essential imports from people who will take pounds sterling in payment. One trouble with that was that other European countries had got the same idea:

“Every country in Europe is trying to do the same things, to buy as much as possible from non-dollar areas and to sell as much as possible for dollars and gold. . . . The sum of all that European countries hope to buy from non-dollar countries looks as if it would far exceed the availabilities, and, if the European countries are driven to compete with one another for such supplies, they will not only be unable to satisfy their requirements, but in the process they will drive up the prices against themselves.”

Other Marshall Plan countries now are fearful that Great Britain may save herself at their expense. Her command of the pound sterling gives her the advantage in what is called the non-dollar world, and, moreover, she is going to buy much less than formerly from Continental Europe. Before the war the countries of Europe were wont to sell heavily to Great Britain for pounds sterling, convert the pounds into dollars and spend the dollars in North America. Thus, says Sir Stafford:

“We were a channel of supply for Europe of large quantities of dollars, and that was due to our ability to absorb a large volume of European imports, many of them of a luxury nature, and to the surplus of dollars earned by the sterling area.

“It is naturally disappointing to us and to other European countries that they cannot revert to this prewar pattern of trade. But this is not possible now, when we cannot make sterling convertible owing to our great shortage of dollars in the sterling area, and, what is equally important, we simply cannot see our way to afford the luxuries we used to import until we have first made sure of the essentials that we need.”

Looking then at western Europe as a whole, Sir Stafford could be only hopeful. As he took up the interim report of the Organization for European Economic Cooperation he noted the fact that, according to their own programs, the amount of imports the Marshall Plan countries are counting on, beyond the end of the Marshall Plan, is $3 billion more than they can pay for. And so the dollar problem would “still remain the dominating factor.” What were they going to do? Sir Stafford agreed that to reduce their imports by that amount would be “intolerable.” It would mean a general fall in the standard of living. Therefore, he said: “Something drastic must be done to obviate such a disastrous state of affairs.” He could not say precisely what that something drastic was. He did, of course, suggest a large increase of exports to pay for the imports, only then to add:

“Europe cannot hope to succeed by concentrating on an increase in the export of manufactured goods alone.
Many of the foodstuffs and raw materials Europe requires to import are in short supply, while difficulties would be experienced in selling greatly increased quantities of some manufactured goods unless prices could be considerably reduced.”

G.G.

Bigness in Uz

Reproduced by courtesy of Barron’s

To the Editor:

RECENT expressions of breathless alarm over the increasing size of major American business units brings to my mind a legend of the Chaldees, which I translated some time ago from the original cuneiform. Because of its possible present interest, I repeat this ancient tale:

In the days of the grandfather of Sargon there was a village beside the Euphrates called Uz. And it was beset by lions. By night the beasts descended upon the herds and devoured the cattle, and by day the husbandmen feared to go into the fields, and the plants withered, without cultivation.

But there arose among the people a man of might, and his name was Bibus. Daily he ran and leaped, and with his hands he lifted stones so that his strength waxed until he could fling a boulder as it were a pebble.

When he had prepared himself by these labors Bibus went forth into the desert to seek the lions. And some he slew by the spear and some by arrows and the rest he affrighted so they departed from that place.

And when he returned, the people of Uz went forth to meet him with shouting and with songs, and they greeted him with honors and with thanksgiving.

Then the herds began to increase, and the men went into the fields to till the earth. And Bibus cleared fields, and because of his strength he could plow as much in one day as ten men, and his harvest was great. Yet, since he had taken to him a woman of the Ammorites who bore him sons and daughters, he had many mouths to feed. Therefore, although his cloak was of goodly stuff, yet was it not adorned with gold thread, and though his food was ample was it without luxury.

And Bibus planted trees—aspen, cedar and the plane tree—to shield his crops from the burning summer sun. And other men marked fields beside those of Bibus where the trees cast their shade, and they planted seeds.

Now, albeit that the lands of Bibus were wide, there was much land in the valley and enough for all, and Uz flourished. The people had more abundance of food than in all their tribe’s time. Their raiment was good to see, and they left their tents and builded them houses of wood and of brick.

But there came a day when the men of Uz gathered together and took council of one another, and they said, “Who is this Bibus that he has grown so great?” And some among them inflamed the others so they fell upon Bibus and, being many, they overcame him and cast him in a deep pit.

And they said to him, “Thou shalt eat hulls and husks,” and this only they gave him. And when his body was wasted and his strength like unto that of a stripling or a graybeard they drew him out of the pit. And they said, “It is not meet that thou shouldst have wide fields since thou hast not the strength to plow them.” So they gave him a tenth part of what he had, and the rest they divided among themselves.

Then some among them said, “Lo, we have done a wondrous thing which shall be remembered from generation unto generation, yea, for ten thousand years.” And they cut down the trees Bibus had planted, and with the wood they made an idol as a remembrance.

Now it came to pass that the lions returned again unto Uz and smote the calves with their claws, and the people came running to Bibus and said, “Arise, thou slayer of lions.”

And Bibus went into the desert. But the beast swept the spear from his hand and sprang upon him and brake his neck. And becoming bolder, more lions came and seized the children, even the sons and daughters of the men of Uz. And when the summer increased, the rays of the sun dried the leaves of the grain because the trees had been cut that shaded them.

Thus the people lamented and cursed the day they had despoiled Bibus. And Uz was brought low and became the dwelling place of the lizard and jackal.

New York City

STEWART SCHACKNE

Free peoples, be mindful of this maxim: Liberty may be gained but can never be recovered.—From “The Social Contract,” by Jean Jacques Rousseau.
Winds of Opinion

For if we embrace this myth of the atomic bomb we will drift into the belief that we Americans are safe in the world, safe and secure, because we have this devastating weapon—this and nothing more. We will then tend to relax when we need to be eternally vigilant.—David E. Lilienthal, Chairman of the Atomic Energy Commission.

Precisely those renovators of the world who claim for themselves the safeguarding of the interests of workers as their special monopoly and declare that their system is the only one truly social, do not safeguard the personal dignity of the worker but make of his productive capacity a mere object to be disposed of by society at its full and arbitrary will.—Pope Pius XII.

There has never in past history been any large state that controlled its citizens as completely as they are controlled in the Soviet Republic or even in modern England. It may be that the present tendencies toward centralization are too strong to be resisted until they have led to disaster, and that, as happened in the fifth century, the whole system must break down with all the inevitable results of anarchy and poverty before human beings can again acquire that degree of personal freedom without which life loses its savor.—Bertrand Russell.

The farmer for some years is assured of relatively high prices for his products. The same is true of labor, and these two factors combined pretty well assure us of high food prices for at least several years.—Arthur W. Lutz, President of the National American Wholesale Grocery Association.

If now, with the keen edge taken off demand for durables, consumers are going to stand off and wait for lower prices, the lower prices will probably come, but only as a result of severe economic dislocation, general unemployment, sharp declines in consumer income, and great damage to our economic and political structure.—Professor Malcolm P. McNair, of the Harvard Graduate School of Business Administration.

It is not true that the masses are vehemently asking for socialism and that there is no means to resist them. The masses favor socialism because they trust the socialist propaganda of the intellectuals. The intellectuals, not the populace, are molding public opinion. They themselves have generated the socialist ideas and indoctrinated the masses with them. . . . The intellectual leaders have produced and propagated the fallacies which are on the point of destroying liberty and Western civilization.—Ludwig Mises.

There is one immutable principle that history has taught us—that there is no such thing as "absolute," or complete, security. Those nations that have tried to make themselves impregnable have become either garrison states or bankrupt states.—Hanson W. Baldwin in The New York Times.

A thousand of our most ruthless capitalists, given free rein in China for a generation, without interference from government, would make it a rich nation. All the government controls and regulations in the world will never make China great. Only the right to keep what one produces will ever do that!—Jerome Joachim.

We ought not to give a man who is admittedly unable to earn anything like an average wage better housing than the man who works hard and builds his own home.—Senator Taft.

Who knows but some economic antiquarian of the future may determine that the greatest economic crisis that this country ever suffered was when Harry Truman failed in the haberdashery business in Kansas City.—Clayton Rand, Editor of Dixie Guide.

The slave state always starts as the welfare state. It promises freedom from want, freedom from fear and freedom from almost everything—but freedom from the state itself.—Frederick A. Hayek.

But we have not yet found answers to two great questions. These are, first, What are we going to do to make atomic energy work for the benefit of mankind? and, second, How can we stuff this genie back in the bottle to control its destructive force forever?—Senator Hickenlooper, Chairman of the Joint Congressional Committee on Atomic Energy.

Ultimately, a war between nations is reduced to one man defending his land while another tries to invade it. Whatever the devastation in his cities, and the disorder in his existence, man will not be
conquered until you fight him for his life.—General Omar N. Bradley, Army Chief of Staff.

It makes equally little sense to say unctuously that “we should foster capital investment” abroad at a moment when capital investment in areas needing development is being officially discouraged at home. This is not an auspicious moment to talk lightly about guaranties to the investor who sends his money to China or Peru. What guaranties is the Eighty-first Congress going to offer to venture capital within the Union?—Felix Morley, in Human Events.

The committee is convinced that the horrors of another world war can be avoided with certainty only by preventing war from starting.—Foreign Relations Committee of the Senate.

I want the Republican Party to be the common denominator of sound conservatism and sound liberalism. I want it to travel down the high center road. I think that is its assignment. As Edmund Burke once said: “Virtuous discretion is what keeps governments faithful to their ends.”—Senator Vandenberg.

Once the free economy has been destroyed, the political power of parliament is itself destroyed because modern legislation is by design and intention irreversible. You can restore a monarchy every five years if you so choose; you cannot de-nationalize industry. You cannot pledge public faith to the payment of vast sums on account of social security and then repudiate your undertakings. These measures determine the color and content of your social system for generations to come.—The New English Review.

I have seen no change for the worse in Britain as the result of socialism. The British people have the full right in the freest of democratic methods to express their desire at the elections next year. I have seen no indication that the Labor Party does not believe in the free processes just as we do. We want to avoid confusion of the question of how far nationalization should go with the fundamental question of the democratic system of government.—W. Averell Harriman, Chief Representative of the ECA in Europe.

Higher prices at this time are inevitable. No significant drop in labor costs or prices is as yet even in prospect and much less in evidence. The danger that ultimately rising costs may at least to some extent price the automobile industry out of the volume market is ever present.—K. T. Keller, president of the Chrysler Corporation.

Norway’s most important asset is its geographical location. If others want to guarantee our security, we will have to take the consequences of that which is both our weakness and our strength. The question may be simplified as follows: What is the price which we must pay for an invitation to join the Atlantic Pact? We cannot expect others to defend us for the sake of our blue eyes, and out of a pure feeling of delicacy permit us to float around in a pacifistic void, base-free and bomb-free.—Farmhand, a Norwegian Weekly.

The aids that have been devised for agriculture in recent years have rested on the sound concept that the production of major money crops without some government coordination represented destructive competition. But if the government is to be expected to maintain an effective “floor” under farm prices, then it must assume responsibility for maintaining a roof over production. Lacking such a policy, the mere building of additional storage facilities will not solve anything.—The New York Times.

The public reacts intensely to one of the effects of inflation—high prices—but shows little acquaintance with its causes or with the history of past inflations. Even less are people aware of the tragic consequences of previous attempts to deal with the problem of inflation through arbitrary dictatorial governmental regulation. Most of us industrialists know all this. Why not have the courage and the candor again and again to say so? If we haven’t, and if we don’t, how can we blame our fellow citizens in other walks of life if they believe people who tell them otherwise and consequently come to incorrect conclusions?—B. E. Hutchinson.

The outcome of the policy of securing stability with low interest rates by enforcing compulsory saving through the fiscal machinery would probably be a revolt of the populace against inordinate taxation and the consequent repression of private consumption. But this is all to the good since it will ultimately direct criticism to the prime affliction of contemporary society, namely excessive state expenditure. The bank rate has been stigmatized as the financial whip of capitalism; the community is now confronted with the alternative of chastisement by the scorpions of taxation.—The Bankers Magazine, London.
EVERY language in the world now has a noun for American know-how, but in no language, not even our own, is there a clear definition of what it is. Generally it seems to be something we know about making things. Yet if you ask what it is we make that other people cannot make, the answer is nothing. And if you ask what it is that we can make better than anybody else, the answer again is nothing. So it must be the way we make them. That would be method. But there is no secret about our methods. The world is free to study and copy them, as in fact it has been doing for a long time.

The first astonishing revelation of American industrial power was made during World War I. Afterward the whole world came to see how we did it—both European people whose industry had an older tradition than ours, and other people, especially Asians and Latin Americans, who were newly resolved to found industry, since they had seen that a country without industry of its own was helpless in time of total war.

Great Britain sent a royal commission to investigate and report on industrial conditions in the United States; also from Great Britain came self-appointed labor and management committees, bankers, industrialists and economists, to see for themselves; and a London newspaper sent a delegation of trade unionists. Germany sent engineers, some only to look and report and others to work in American plants. Lastly, the League of Nations decided to make an intensive survey of American industry in contrast with the industry in Europe, to see if it would be possible “to transfer certain parts of the American system into the European system.”

All of these visitors were hospitably received. They were welcome to see anything they wanted to see. They studied our methods, they made blueprints of our assembly lines, they wrote very long intelligent reports. Also they bought a great many American machines. European industry was going to be made over in the American pattern. One word for it in England was Fordism. In Germany where Henry Ford’s biography became a best seller, the word was rationalization. But after they had gone on with it for awhile they began to realize that they were leaving something out, and they never could find out what that was.

The British royal commission said: “The work people”—meaning the American wage earner—“accept experiments toward reduced costs, as they always found that the result of lower costs has been increased consumption and consequently more employment.”

The emphasis there is on more employment, and not, where we should put it, on a higher standard of living for the employed.

Rationalization in Germany was illustrated in the case of the Berlin banker who had seen in American banks time-saving equipment and method which enabled one American clerk to do the work of ten German bank clerks. He imported both the equipment and the method and dispensed with nine out of ten of his clerks. When he was asked if he had raised the pay of the tenth clerk he did not at first understand the question. But when he did understand it, his reaction was to ask if clerks had invented or bought the equipment. No. Had they thought up the method? No. Did the tenth clerk now surviving work any harder than before? No. Then why should he receive more pay?

In curious ways the idea itself went wrong. An American visiting a British automobile plant that had been Fordized came to a point where the rear-end assembly had to be transferred from one line to another. The three men working on it could very easily have lifted it over, the distance being only five feet, but these three had to stop while two others made the shift with a chain hoist. The American visitor said nothing about that, but when he came to the paint job he could not refrain from saying: “You’ve got a bad traffic jam here.” Car bodies on dolly trucks were waiting to get into the paint stalls, of which there were four, one for each color, and three of the stalls were not working because it happened that all of the cars just then arriving wanted only the color that was in the fourth stall.

The superintendent said stiffly, “But we can paint a body in two minutes here.”

The American said, “If you can do a body in two minutes, there is no reason for this jam. Two stalls would do it. Two working continuously.”

The superintendent said patiently, “We have not the advantage of your Mr. Ford. He can paint all of his cars black. We have to have four colors.”
The American said: "Even so, why one stall for each color?"

The superintendent wearily replied: "Suppose you had just made one body black and the next one wanted gray or blue. Would you blow out all the black paint and clean the tube and then bring on another color?"

The American said: "Why not four paint tubes to each stall?"

The superintendent stared and replied: "You know, we never thought of that."

One thing they seemed never to understand was that mass production is not simply the multiple creation of standardized things. It is flow, in a fore-shortened dimension of time. Anything that retards the flow makes a bad spot.

Another thing was that an American assembly line, accurately blueprinted and transferred to Europe, would be obsolete before it could be installed. Why? Because an American assembly line is not static. It is continuously evolving. The production engineer goes to sleep thinking of a bad spot. He comes awake with an idea. He goes back to the job saying, "Let's try this." If it works it stays. To the most out of it, keep it in repair and teach others.

"There are many who think it is that. Others will tell you that the American know-how includes also the technical processes and methods that have been developed in American industries.

"But other countries have technical know-how. It may not be so highly developed or so widely used, but it has contributed largely to our own. We are importing it right now, and some of the best is from industries that were lately Nazi.

"If our know-how is merely technical, we may as well stop where we are, for no matter how we may go on improving it, others can come in and take it away—or we may send it to them—complete with machinery, blueprints and technicians, and they might use it one day to destroy us and everything in which we believe.

"There are others in all countries who realize that there is something more to the American know-how, though they cannot say what it is—like the Frenchman who called on us recently, with his wife as translator. As he came into Wallace's office, he cautiously closed the door—a door which is never closed.

"He explained through his wife that he intended to modernize his sugar refineries in Africa and France. He had traveled over our country from coast to coast, had ordered the latest machinery and arranged for the latest processes—but something remained. . . .

"'What I need is.' He tapped his forehead for lack of a word.

"I knew what he meant—our experience in Europe had taught me: not how to lay out and run his machines or refine his sugar; not the methods that would get this done in the one best way; but something American that went into such know-how and got American results.

"In Europe I had learned how the American methods removed obstacles to a free flow of work and that most of the obstacles are in people's minds. I had recognized one of those mental obstacles when he came in and closed the door so cautiously behind him.

"A young Spanish chemist had another gesture. When he told about his family's factories which made soap from olive and fish oils, he said he had been here a year, buying machinery and equipment and getting technicians to go to Spain and set it up and teach the workers to use it. He had been allowed to do research in American laboratories, to visit chemical plants and to observe freely. But now he was leaving and he realized that there was a vital element he was not taking back with him.
During the 1920's the International Congress of Scientific Management became a European institution. Mrs. Clark tells of the Fourth Session which was held in Paris in 1929:

"It was staged in a setting of grace and elegance, courtesies and compliments, choice foods and wines, history and romance. President and Madame Lebrun received the delegates at the Elysées Palace; one reception was in the palace and gardens of Prince Radziwill, lost to him in the war and now the French Chamber of Commerce. Conferences were in the Halls of the Sorbonne and the University that had been a monastery.

"With each Congress, there had been a wider interest in the American 'science of management.' More countries had organized Institutes like the one in Warsaw, or Societies of Scientific Management. More governments were granting funds and sending representatives; more books and papers were being written or translated. Although foreign universities would be slow to follow the American example and admit that industrial management was a subject to be taught, like Latin or Greek, more lectures were being given about it and more classes were being formed.

"The reason was obvious. Most countries were struggling to survive postwar conditions. Most of them realized that this must be done through their own industrial development. America was the logical example to observe, perhaps to follow. She was going on from one industrial miracle to another, multiplying her abundance. She had developed the 'know-how.'

"When America spoke at the meetings the seats were filled—even those at the reporters' table. Notebooks came out. There was close attention. People did not wander in and out, or leave before the talk was finished.

"When others spoke, it was of real problems but with theoretical solutions. America offered practical solutions with blueprints and instructions to put them into effect. As they had said in Poland, America told you just how it was done and how you could do it yourself.

"America brought films and showed movies of processes, and studies of each motion, then slowed them down or stopped them to explain things more clearly; then loaned or gave the films to other countries where they could be used for teaching.

"America passed out free literature, well-printed, on good paper, with all kinds of practical information for delegates to take back with them.

"From America came teachers of management in universities and technical schools, disciples of Taylor and Gantt, industrialists, and engineers—Dennison, Filene, the Cookes, Lillian Gilbreth, Emerson, Person.

"Dr. Person told them: 'Scientific management is not something you can go and buy and install in a plant like a boiler or loom. It is a way of life in a factory.'"

"Another American said: 'You cannot make plans on paper. You can make only a blueprint. Planning is in four dimensions. It must include the understanding and interest, the knowledge and skills of all of the people who are included in it.'"

Then came the Great Depression. The demand for American know-how was greater than before, many who had been resisting it now taking it up, but with only one thought among them, and that was how to reduce costs. And then more than 200 delegates from 29 nations assembled at Amsterdam as a world congress to discuss international planning. Mrs. Clark says:

"There was need for it. In America, as the meetings started, there was growing confusion and unemployment; England, equally incredible, was going off the gold standard; Manchuria was invaded by the Japs; other countries were in desperate need. All except Russia.

"In the U.S.S.R., we were told at these meetings, there was no crisis, no overproduction, no unemployment. On the contrary, they needed more workers than they could find for the Great Plan that was going forward.

"The five delegates and their interpreter who brought this message, 'ran away with the show.'

"That is not to say they were popular. Some Congress members had fought against having them invited and now showed their resentment. This had no effect on the Soviets. They kept to themselves, oblivious or indifferent to the opinions of others. They knew that everyone was watching them, waiting to hear what they said.

"When they presented their reports one afternoon, the large hall, for the first time, was crowded. Press tables filled. Flashlights were popping. It was the first time Soviets had been invited or permitted to attend such a Congress. It was News.

"So great was the interest, it became necessary to extend that meeting to an evening session, also crowded which lasted until midnight when the Chairman stopped the flood of questions so that delegates could get some sleep.

"But the next morning the speakers and questions kept 'going Russian' until it became necessary to arrange still another session for the Soviets.

"What I found so disturbing throughout the week was the realization that America, who at such meetings or Congresses in Europe had always stood forth as the Practical, the Pioneer, the Way-Shower, was now eclipsed by another country giving facts and figures and records of accomplishment.

"This was a bitter pill for the Americans who were present. We who had prided ourselves on our leadership as the Doers, now to find ourselves indifferently classed with the Talkers!

"In those unhappy and pessimistic assemblies only the Soviets were assured."

The Russians were boasting that they had it. Eureka! For all their celebrated know-how, the
Americans had smashed up. Why? Because they had no social planning. They, the Russians, would adopt American methods, with planning, and beat the world. But they did not have it. Freedom, the essential element, was left out. Then Hitler thought he had it. The English never did get it. So finally, really nothing came of the undertaking to teach American know-how to Europe. It all ended in another war, and war was all the more frightful for the one thing the Europeans had learned from America, and that was how to improve its mechanical efficiency, in Germany especially.

The second amazing revelation of American industrial power began in World War II and still continues. Fighting and winning beyond the seven seas, the most devastating war in the history of mankind did not impair it. On the contrary, it increased in a prodigious manner by a mysterious law of necessity, until now it represents one half of the industrial potential of the whole world. As sheer power, and for its displacement in the affairs of the human race, there has been nothing like it since the Roman power, which was military and political, not creative in itself but resting on tribute and slave labor.

And so again the world is seized with the notion that here is a secret to be learned, a kind of magic formula which other people must acquire at any cost in order to hold their own. For if this American power, actually and relatively, goes on growing, and grows in the act of putting itself forth, how can any kind of balance be kept in the world?

Great Britain has organized the intention to acquire it. Last year Sir Stafford Cripps, Chancellor of the Exchequer, startled his countrymen by proposing an Anglo-American Council on Productivity, to be composed of representatives of management and labor in both countries, for the purpose of exchanging ideas of method and technique—"not," said Sir Stafford, "on the basis of our industries being inferior to those of other countries, but because an exchange of experience and knowledge of methods of productivity would, I am convinced, be a great benefit to this country."

His proposal raised a furor of opposition. He was put on the defensive in the House of Commons. Anthony Eden said:

"I should like to ask what the effect of this arrangement is likely to be on our position in the export market. After all, our position, the British industry position, has always been based on quality rather than quantity. I can quite see that there may be value in an exchange of information, an exchange between us and the United States, but what I do not think the House should be asked to accept is that our industry is in a position where we require advice from any country, however eminent, in the conduct of our industrial enterprises."

Mr. Platt-Mills said:

"Does the Chancellor of the Exchequer not recognize that this proposal constitutes an affront to the dignity of our people and a threat to our economic security? Does he not realize, as the meaning of this proposal becomes known throughout the country, that it will be greeted with anger?"

Mr. Fairhurst said:

"Is the Chancellor aware that his mistaken action will leave a very nasty taste in the mouths of many of our citizens, and will only strengthen the suspicions of those people who have already said that our economy has now been geared to American policy? Will he say whether he himself made the first approach, or whether it was made by Mr. Hoffman?"

Winston Churchill was skeptical. He asked:

"Is not all this interchange going on now, to a very wide degree, and may not any advantages to be obtained from it be prejudiced by the formal form in which it is now presented? Is it not likely that some improvements would actually be prejudiced by the fact that they have been officially suggested, or formally suggested, to us by a friendly, but foreign, government, from whom we are borrowing money?"

Sir Stafford said these objections were unreal. Neither the British Government nor British industry was going to be told by Americans how to conduct enterprise. It was simply a way "of bringing British and American industry together to discuss a problem"—the problem being how to raise the productivity of British industry. Mr. Hoffman, the Administrator of the European Recovery Program, had made the suggestion to begin with. He had made it to everybody alike, and Great Britain was going to be the first to accept the invitation. "I am anxious," he said, "that we should raise the productivity of our industries to the best standards that exist. Over and above that, I still believe profoundly that we can learn something from other people."

In a letter to The Times, London, P. Malcolm Stewart raised this crucial question.

"Some of the most efficient American companies now own and operate businesses in this country. They do not appear to obtain notably higher efficiency than their leading British competitors. This raises an important question. Can Americans from the other side of the Atlantic teach us more than their colleagues already here know and apply? This is the acid test as to whether the proposed joint council is worth while."
“British-owned companies have built and established factories in the United States, and it is on record that they have not had difficulty in holding their own with their leading American competitors and reaching fully to the highest level of American efficiency. There may be exceptions, but the fact emerges that no company, whether British or American, has succeeded in raising the efficiency of its British-owned plant to that of their corresponding American factories. How is this to be accounted for? Clearly it is not due to lack of knowledge.

“The logical conclusion is that to make British industry as fully efficient as American the same political-industrial conditions would have to apply. This would call for such a reorientation of government policy with regard to industry that it would doubtless prove unacceptable to a Labor Government and possibly to sections of some other political parties.”

The London Statist said:

“Sir Stafford is a man of incalculable mind. He strives hard to be a good doctrinaire, but common sense keeps breaking in. He is probably the only man on the present front bench who would not have thought immediately that the one thing his own party would not relish would be a Socialist Britain soliciting advice from a free enterprise America. To him the position appeared simple, and he followed his thought to a logical conclusion. Britain needs more production—American methods give more production—therefore let us have American methods applied and adapted to British industry. . . . American labor, however much it may be unionized and however class-conscious it may be, has never been addicted to ca’ canny. The American citizen of every grade is still enamored of that industrial philosophy which first made Britain great—that a man has a right to extra rewards for extra effort or extra skill, that a man’s economic destiny is his own and not the State’s responsibility. . . . The great majority of British workers appear to have abandoned, or to have lost, that philosophy. Their attitude is that extra effort should not be rewarded by extra benefits but should be discouraged, because it is, somehow, unfair to the less well-equipped or less-energetic worker; the pace of the economic army, in other words, should be that of the slowest man. They have been taught to believe that social amenities and social security should not rest upon a man’s own exertions but are a right which he can demand from the State.”

The European Bureau of the American Federation of Labor just then put out a newsletter in which Richards W. Cotton, an American, gave an opinion on what was wrong with the whole British system:

“Restriction of output has been a practice of both British labor and management. For more than half a century British labor unions have clung to the philosophy that a man who works too hard or increases his output an hour soon works himself out of a job. Because of that philosophy, unions for many years have adopted restrictive practices which limited the output a man hour in various industries. This doctrine, that increased efficiency decreases employment, reduces British workers’ output to that of their least efficient members.

“British management is as much responsible as labor for restrictions of output a man hour. Various industries formed associations or rings for the purpose of reducing competition, limiting production and fixing prices. Just as the unions limited output to the producing abilities of their least efficient members, so did industrial associations or rings set their prices at a figure where the least efficient member could make a profit. Under such circumstances there was little incentive for management to increase productive efficiency, because one could be highly profitable by remaining inefficient. . . .”

In October the Anglo-American Council of Productivity was set up, with eight American and thirteen British members, under the chairmanship of an American, Philip D. Reed, of the General Electric Company. It is working. The American section has been visiting British industry and the British section has been visiting American industry. After having visited plants in all parts of Great Britain, just to get the feel of British industry, the American section agreed on these three observations:

“First, the level of mechanization in British industry is obviously and substantially below our own. Only about half as much industrial power is available per worker in Britain as in the United States.

“Second, the degree of difference, the gap, between the best and most efficient British plants on the one hand and the medium and poor ones on the other seemed to us to be greater than one finds here at home, and the number of firms in the medium or poor classification seemed larger.

“Third, the speed at which British labor works and the physical energy they expend are, generally speaking, equal to what one finds in well-operated American plants. This is not to say the British workman produces as much. He does not. But he works a forty-hour week and applies himself more energetically than we had been led to believe.”

Reporting on this in a speech before the Congress of American Industry, Mr. Reed said:

“Very recently, at Mr. Hoffman’s request, Col. Walker Cisler, Executive Vice President of the Detroit Edison Company and wartime electric utility expert with the United States Army in Europe, visited a number of Marshall Plan countries for the purpose of discussing their electric power problems. Everywhere, as you know, there is a shortage of power. In Great Britain for example, in addition to restrictions on residential use of electricity, many industrial concerns are limited in their output by power shortage. Frequently certain parts of a plant are forced to shut down during peak-load periods, and in some cases operations involving heavy power loads have been transferred to night-time operation with consequent loss of efficiency and increased costs.

“Col. Cisler found that of the total power-generating
capacity in Great Britain approximately 15% is normally undergoing repair or maintenance overhaul (and is therefore out of operation) in the periods of the year when peak-load conditions are encountered. On the Continent he found that this outage figure is in some cases as high as 25%. Here in America, where generating capacity is being stretched to the limit in order to meet demand, the corresponding figure is less than 2%. Col. Cisler tells me this very low outage in the United States has been achieved by careful scheduling of repair and maintenance work to correspond with periods of reduced demand.

What seems to be stressed throughout is efficiency—that is to say, the utmost utilization of the facilities you have and the best application of the knowledge you already possess. But efficiency, after all, is relative. If there was no American industry, British industry just as it is would be the most efficient in the world and all of Great Britain’s present economic problems would be nonexistent. There would be, for example, no dollar shortage, but in place of it a shortage of pounds sterling from the anxiety of people everywhere to buy the products of British industry.

The efficiency of American industry is only something made manifest; and what is made manifest is that elusive thing we call know-how and which even yet has not been defined. President Truman refers to it as technology and treats it as an inexhaustible exportable surplus. Mr. Hoffman offered it free to the Marshall Plan countries. Now Mr. Truman offers it to the whole world. In his inaugural address last January he said:

“The material resources which we can afford to use for the assistance of other peoples are limited. But our imponderable resources in technical knowledge are constantly growing and are inexhaustible. I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life.”

BUT American know-how is not comprehended in the term technology. Other people have technology not only equal to ours but in some cases superior. That would be true of Great Britain now; it was certainly true of Germany before the war. If it were technology you could say we got it from Europe.

In the beginning we had no industry and so of course no technology. One cause of the Revolution was the policy of Great Britain to repress industry in the American colonies and keep them as a source of cheap food and raw materials for her machines. Textile mills and iron works were forbidden here.

After Independence, the first anxiety of the new Republic was to create industry. Machines were needed and especially textile machinery. The only source of machines then was England. But England guarded her machines as if they were military secrets and furthermore restrained the migration of skilled mechanics. Beyond that, thinking to discourage industry of any kind here, British machine goods were dumped on the new American market at prices intended to be ruinous to any infant industry, and from this came the first American tariff law and the beginning of American protectionism. However, to keep out British machine-made goods was one thing; to get British machines in was another. The British wanted to sell their manufactured products, not machines. This difficulty was overcome by ingenuity. What became in time the great New England textile industry was begun with a machine smuggled into this country by a British mechanic. He brought it in his head, made the drawings from memory and built it here.

BRITISH policy gradually changed. The time came when the machine builders of Great Britain were able to build machines faster than they could be absorbed by British industry alone, and they began to be freely exported. British textile machinery, for example, was sold in India, displacing there the ancient craft of hand weaving, and in a little while India’s machine-made textiles were competing with British textiles in the markets of the world. This is what Oswald Spengler, only a few years ago, called the treason to techniques. The following passage is from his book, “Man and Techniques,” which followed his “Decline of the West.” He wrote:

“The third and most serious symptom of the collapse that is beginning lies however in what I may call treason to technology. . . . The immense superiority that western Europe and North America enjoyed in the second half of the nineteenth century, in power—economic and political, military and financial—was based on an uncontested monopoly of industry. . . . And then at the close of the last century the blind will to power began to make its decisive mistakes. Instead of keeping to themselves the technical knowledge that constituted their greatest asset the white people complacently offered it to all the world, and so in place of the export of finished products exclusively they began an export of secrets, processes, methods, engineers and organizers. . . . Within 30 years the Japanese became technicians of the first rank.”

And still it was that at the beginning of World War I the principal industrial powers of the world were three only, and all Western. They were the
United States, Germany, and Great Britain. Adding France and Belgium, of inferior rank, you get five, all belonging to Western civilization. After World War I the machine broke bounds and went migrating over the earth. To all but the most backward people it had become a symbol of liberation. Every country wanted industry of its own. Japan appeared suddenly as a great industrial power. Then Soviet Russia, the least likely of all, became obsessed with the thought of industrialization and invented a proletariat to support it.

Yet notwithstanding the world-wide dispersal of the machine between the two wars, and notwithstanding the work of American management engineers trying everywhere to impart the understanding of the American way, American industrial supremacy, both actual and relative, continued only all the more to rise. Why? Because there was always something we could not teach, or, which means the same thing, something other people could not learn. That was what we call American know-how—not method, not technology, not scientific knowledge. Perhaps, after all, there is a secret, not because we mean to make a secret of it, but because it is a thing which so far at least is uniquely American.

If you say American know-how is an activity of the creative spirit, which uses technical knowledge merely as a tool, you come to this question: Can it be exported? If that is what American know-how is, it will manifest itself first as idea and then as the externalization of idea. You may export the thing that is externalized. You may export the idea itself. But that was yesterday’s idea. Nobody knows where it came from. Day before yesterday it could not have been exported because it did not then exist. Tomorrow’s idea you cannot export because it is not there. Yet it is tomorrow’s idea, always tomorrow’s, that sustains the supremacy of America’s industrial power. The late Colonel Cooper, who built hydroelectric dams for the Russians, used to say:

“Certainly we can afford to sell them everything we know. Even before these generators are installed we shall know something better for ourselves.”

In any case, it is a new kind of world in which people who possess the paramount industrial power are both willing and anxious to impart the secret of it to others, even to give it away, not for profit but for the good of the whole human race.

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Rights

Donald R. Richberg

LONG ago a great philosopher pointed out that “the right of all to all things” means “the war of all against all.” The surest way to destroy the fundamental freedoms of American life would be to build up a vast legal structure of social, economic and political rights, all of them creating corresponding duties, and all of them enforced by governmental restraints upon individual freedom.

Communists and their dupes complain that a “hysteria” of anticommunism is causing the suppression of civil rights in the United States. So now they are diligently fomenting a “counter-hysteria” for expanding civil rights until the basic rights of life, liberty and property will be completely lost in a maze of petty rights and duties and regulations which only a communist dictatorship could possibly enforce.

It is much more comforting to be assured that you have a right to obtain a good job from someone than to be informed that you have a duty to do a good job for someone. But, let’s not forget, that no right can be enforced for one person without compelling another to fulfill a duty. In the language of the courts: “When a right is invaded a duty is violated.” “There is no right where there is no remedy.”

Even the basic right of my individual liberty cannot be enforced except by imposing restraints on your individual liberty. The claim of a right is worthless unless it can be enforced; and, as more rights are enforced against more and more people, there will be less and less liberty; more and more domestic conflicts, less and less internal peace.

Superficially, it may seem to be a noble project for government to insure to all citizens an equality of opportunity to earn a livelihood and “to enjoy the benefits of society.” But ... the benefits of a democratic, free society are not gathered by an omnipotent government into one treasure house for distribution to a dependent population.
IN various magazines and newspapers the following advertisement has been recently appearing:

**TO TEACHERS FROM A LABOR UNION**

In response to a growing interest among teachers, information about labor unions is now available for classroom discussions, debates and forums from one of America’s largest labor organizations. Material available includes:

1. **PUBLICATIONS:** A variety of leaflets, brochures and booklets on such timely subjects as prices, profits, wages, political action, the Taft-Hartley law, etc., can be had, many in quantity, for classroom use.
2. **MOTION PICTURES:** Three 16mm sound films, loaned without cost, deal with political action, the rise of a modern union, and the relationship of prices to profits and wages from the worker’s point of view.
3. **RADIO:** Printed transcripts of a weekly coast-to-coast radio news program sponsored by this union are available, which can be used to stimulate classroom discussions on current events.

Send for a free TEACHERS KIT of sample material made available to school teachers by the United Electrical, Radio and Machine Workers of America (UE).

11 East 51st Street, New York 22, N.Y.

Please send me a free copy of the TEACHERS KIT.

Name ____________________________

Address ____________________________

City ____________________________ State ______

School or College ____________________________

Of the principal labor organizations in the country, the United Electrical, Radio and Machine Workers of America, calling itself UE for short, is the one furthest to the left. It has a membership of 600,000. Although it belongs to the CIO, it is rebellious; from the efforts of Philip Murray and his CIO hierarchy to purge it of its Communist elements came one of the most dramatic struggles of the past two years in the labor world. The outcome is still in doubt.

The free Teachers Kit, referred to in the advertisement, has been going out to school libraries, educational organizations and teachers individually since last October. It contains 25 pieces of printed matter. The first thing to be said about it is that it is typographically attractive, with a strong appeal to the eye. Secondly, it is very well written. Thirdly, as propaganda, it is extremely adroit.

One piece is on the UE’s bitter dispute with the Atomic Energy Commission over the screening of people for atomic work in private plants, as at General Electric. It is entitled, “UE Rebukes Lilienthal!” The rebuke is a very long defensive and counteroffensive letter from the UE to the Chairman of the Atomic Energy Commission in reply to a letter from the Chairman of the Atomic Energy Commission, but the letter from the Chairman of the Atomic Energy Commission to the UE is not printed, so that one never would know what the issue really was.

The UE charges the Atomic Energy Commission with having entered into a conspiracy with General Electric to break the UE’s contract with that company, to destroy it as a free democratic union, and to impose government control upon it, whereas all the Atomic Energy Commission had done was to insist that its own Personnel Security Review Board, and not the union, should pass upon the qualifications of people engaged in this classified work, for security reasons, and that the officers of the UE should disavow communism or Communist Party affiliations by affidavit, as required by law.

The question was whether the UE was a Communist-dominated union. In its letter to Mr. Lilienthal, Chairman of the Atomic Energy Commission, very evidently written for propaganda purposes, the UE skillfully avoids that question.

The Atomic Energy Commission said to the UE:

“As was stated in the instructions for General Electric, the Commission’s action was based upon the information available—much of it of open public record—of alleged Communist affiliation or association of various officers of UE taken together with the failure of UE officers to file noncommunist affidavits under the Labor-Management Relations Act, 1947. . . . The assertions in your letter do not even begin to answer the serious question that has been raised concerning the absence in various of the UE officers of the requisite adherence and loyalty to the interests of the United States. If the officers of UE desire, the Commission will afford them every opportunity to participate in a fuller exploration of this issue. It should be understood, however, that the AEC would expect the UE officers to be prepared to give full and candid statements concerning present or past affiliations of any kind with the Communist Party or Communist-dominated organizations. In addition, the same personnel data will be requested of the UE officers as has been furnished by employees and by various officers of other unions who represent employees in the atomic energy program.”

In its reply the UE said:

“Yet you are now parroting to us the ‘security’ arguments of the General Electric Company as an excuse for your obvious desire to help the company break its union contract. ‘If security were your concern, you come to us under strange auspices and in strange company. You have turned over the secrets of the atom, developed at a cost of billions of the people’s money, to a corporation whose
record of convictions, civil and criminal, under the anti-
trust laws of the U. S. can hardly be matched in our
country—a corporation which has no loyalty save to
its own private profit—a corporation whose latest
criminal conviction under federal law has been for con-
cspiracy with Krupp, the Nazi armaments firm, to the
detriment of the defense and security of the United
States. . . .

"You come to us in strange company to raise with us
a question of politics or association. Your chief asso-
ciate in this attempt to violate a union contract is the
many-times convicted General Electric Company.
Your associates within the apparatus of the Atomic
Energy Commission are no more savory.

"To illustrate: The Personnel Security Review Board
of the AEC, which you desire to establish as supreme
judge over the qualifications of UE members for leader-
ship, contains among its five members the former
president of the National Association of Manufac-
turers, H. W. Prentiss, notorious for his connections
with the Fascist Franco dictatorship in Spain and noted
for his hatred of the American labor movement.

"During the last war your associate Prentiss told the
National Industrial Conference Board that employers
should work for legislation to remove the wage-hour
law, the Wagner Act, the Norris-LaGuardia Act, the
Sherman Anti-Trust Act and other laws affecting labor-
management relations.

"In 1938 this same member of your Personnel Secu-


The Outside of the Package

A MESSAGE TO TEACHERS
FROM A LABOR UNION

In response to a growing need,
the UE provides teachers with
various booklets and leaflets on
timely subjects from the labor
union point of view for class-
room discussion. This Kit con-
tains samples of such publica-
tions as well as information on
obtaining UE films and other
useful materials.

United Electrical, Radio and Machine Workers of America
11 EAST 51st STREET . . . NEW YORK 22, N. Y.
their plan for the conduct of foreign relations to the American people. Big business promised that its plan would lead to peace, and that no political strings would be attached to American efforts to help other countries.

"Their program was enacted into law, and six billion dollars was made available to them for carrying it out. . . .

"The aim of big business in administering its foreign aid program is to squeeze the greatest possible amount of profit out of it, and to use it to augment the corporations' great properties outside of the United States.

"The big business plan for foreign aid requires a 20 billion dollar armaments program in the United States to enforce it upon the other people of the world. It cannot be a policy of aid to the common people of the world that requires 20 billion dollars' worth of armaments to enforce and has brought about in the United States a war economy that keeps driving prices up, maintains the scarcity of consumer goods, drives the price of housing beyond the people's reach, results in a steady, week-by-week deterioration of the living standards of the people of the United States, and is a source of division among nations.

"We call upon our countrymen to join us in the fight to take our government out of the hands of the bankers and redirect it to the interests of the people.

"That is the road to peace!"

The theme that high wages have nothing to do with high prices, or almost nothing, and that the profits of business are extortionate, comes to a head with a red ink piece entitled, "Facts the Public Are Not Told," such as these:

- **Price levels are determined—not by wages—but by the desire of big business for profits.**
- **Industry raised prices 13 times the amount necessary to cover the cost of wage increases since OPA ended, according to U. S. Government figures.**
- **Today we find big business propaganda (newspapers, magazines, radio) trying to conceal enormous profits. They advertise that profits amount to only a "few per cent" or a "few cents" on the sales dollar. Big business hopes people will not see the official government statistics showing corporation profits to be $28,000,000,000, an all-time record.**
- **They try to hide the fact that—for every $52 paid in weekly wages, they take more than $20 a week in profit, according to U. S. Government figures.**

No, it is not the attempt of organized working people to earn a living that rigs prices and manipulates the markets.

**IT IS BIG BUSINESS THAT RAISES PRICES IN ORDER TO MAKE HIGHER AND HIGHER PROFITS!**

In a piece entitled, "Make Congress Act for the People," the UE tells what a government acting for the people would do. It would control prices, it would tax excess profits "to take the profit out of inflation," and then "tax undistributed profits and use the proceeds to build schools and hospitals."

Several pieces are devoted to the UE's weekly radio program. It is conducted by Arthur Gaeth. His broadcasts are reproduced. The UE says:

"Mr. Gaeth's liberal views present a counterbalance to some of the more conservative analysts, providing a chance to hear both sides of the news and form careful opinions. Mr. Gaeth's Monday night broadcasts have been used successfully by many teachers for Tuesday class discussions.

"As a further aid, the scripts of each broadcast are printed in an attractive folder. These scripts are available upon request."

Another piece is a list of the UE's "many publications on important current news," leaflets and pamphlets, "available to teachers without charge in quantities up to 500 for use in classrooms."

Besides all this the UE produces motion pictures, which are loaned free of charge to teachers. It says:

"Many years ago it was realized that 'one picture is worth a thousand words.' Teachers know this is especially true as far as young people are concerned. The UE films listed below will help students grasp ideas on inflation, on the need for political action by every citizen, and on the growth and development of a trade union. These 16 mm. sound films are loaned free of charge to teachers."

Enclosed is a request blank to be filled in by teachers for one or all of these three films:

- "**Our Union—**A 'must' film for any course involving a discussion of trade unions. 'Our Union' is the history of the UE from its birth in depression days to its present strength of over 600,000 in 1500 factories. Tells how a union is organized, how it negotiates with management, etc. Showing time: 23 minutes."
- "**Deadline for Action—**Teachers of civics and government will find this film valuable in teaching the necessity for political action on the part of every citizen. The results of indifferent, uninformed voting are graphically shown. Showing time: 40 minutes."
- "**The Great Swindle—**This latest UE movie is the story of inflation. Official government statistics on wages, prices and profits are presented in easily grasped pictures and charts. What happens to living standards when inflation takes over is shown, and some of the causes of inflation are depicted in vivid analysis. Showing time: 35 minutes.""

**Note**—As these lines were being written the former editor of a labor paper came and sat across the desk. He looked at the material out of the UE's free Teachers Kit with a kind of weariness, because he had seen it all before, and then he said: "As the editor of an honest American labor weekly how would you feel to find your desk piled high every day with this kind of stuff and nothing, always nothing, on the other side? They've got everything and they know how to use it." —**Editor.**
Shooting the Square Deal Towns

Recollections of a Newsreel Man

By Augustin G. Rudd
Vice President of the Newsreel Theatres, Inc.

I had heard of the Square Deal Towns of the Endicott-Johnson Shoe Corporation in upstate New York, where labor troubles of any kind were unknown. If that were true it might be a story for our newsreel, at a time when the news of the day was dominated by strikes and violent controversies over pending labor legislation. So when I heard that George F. Johnson was in New York I called on him at his hotel.

A man nearly past 85, but still keen and vigorous, he received me with all the informality and courtesy one usually finds in men who have done big things. Was it true that his company had never had a strike? Yes, that was so. What did he think of the theory advanced by the left wingers that labor and capital had conflicting interests which never could be reconciled? That was nonsense; no sound businessman would ever subscribe to such a belief.

"Would you mind telling me something of your formula?" I asked.

He replied slowly: "You would hardly call it a formula. It is really very simple. We consider every employee in our company a member of a big family, and we sincerely try to apply the Golden Rule in all our dealings with one another.

"Many people talk about it," he continued, "but few seem to actually apply it in their organizations. We do and it works. But come up and see for yourself. And if you want to take newsreels, I'll turn the plant over to you."

Evidence of Its Working

From the time we entered the arch at Endicott, bearing the proud caption, "Square Deal Towns," until we finished "shooting" at the Pioneer plant in Johnson City, three days later, every part of this huge establishment was thrown open to us. I recall how "George F." greeted us when we arrived. (Everybody referred to him as "George F.") He said: "We're not going to take you on any guided tour. Go wherever you please. Poke your nose into any office or shop that interests you and, particu-

larly, talk to our people. Get them alone and urge them to speak freely, and if you find a single man who feels that he has not had a square deal, I'll buy you a new hat."

As we entered the spacious buildings we went our separate ways watching, listening, asking questions. We saw shoes in the making at every stage; visited the huge warehouses and endured the pungent odors of the tannery. We talked to men and women everywhere—at their lathes, benches, offices and wherever we found them. By noon we were unanimously of the opinion that it was a story, for never had any of us seen workers in such large numbers so contented and interested in the business.

As we filmed it our work took us to one department after another, we saw and heard the numerous reasons for the unusual morale of the employees in the Square Deal plants. For instance, in the Fair Play Stitching Room we found the men feeling something of a proprietary interest in the business. Why? "We get all the wages the business can afford to pay," said one. "Besides, we know that we will share in the profits with the management. What more could we ask?"

In the Fair Play Conveyor department a young married man said: "Last week my wife gave me a son. I can't tell you how much it meant to us not to have to worry about getting the best advice and medical attention. And we know the baby is in the hands of experts at the Baby Clinic."

Mortgages and Play

Under the Endicott-Johnson building plan the lowest-paid worker can afford to own his home. The materials and construction are provided at cost, the carrying charges held to the barest minimum. Thus any Endicott-Johnson employee can own a better home than others on the same wage. "George F." always officiated personally at a very simple but impressive ceremony when the final payment was made on the employee's home. It was called, "Burning of the mortgage." As "George F." congratulated the owner on getting out of debt, the latter struck a match and burned the symbol of his former indebtedness. In this effective manner a number of vital principles of good citizenship were driven home to the employee.

The most generous facilities were provided for baseball, football, and all outdoor sports, as well as a huge auditorium for dances and indoor amusements. As we circulated among those at play we were impressed with the invariable air of good fellowship, give and take, and spirit of teamwork.

It is said that the character of a people can be seen on their fields of sports. I believe it. And the character of this institution was imaged in the
thousands we saw in various recreational activities during our visit. As I watched them I recalled the sign on the arch at the city's edge—"Square Deal Towns"—and the big signs in the shops, such as "Fair Play Stitching Room" and "Fair Play Con-veyor." There was one big idea behind it all. And that idea was the Golden Rule.

Knowing
"George F."

One thing rather puzzled me as I conversed with both men and women in scores of shops, homes and social activities, still half fearing, half hoping I would win that hat. Everywhere we found a feeling of loyalty and pride in being a part of the institution. But I was particularly impressed by the fact that each worker considered "George F." a personal friend. Was it possible he knew them all? Hardly, for if he did nothing else he could not make the rounds of such a vast army. What was the answer? How was it that each spoke affectionately of him and evinced absolute faith that he would protect their interests?

"Of course, I know a lot of them," "George F." explained. "A good many of the boys have been with me since I worked at a bench myself. But I think the answer is that we are loyal to our employees. I know, all businesses stress loyalty. But have you ever noticed how many times that implies loyalty from the bottom up? Loyalty here is a two-way ladder—we expect it coming up and we give it going down. And a part of our loyalty to the men is the positive assurance that any man in the company can walk in that door to see me if he feels he has a grievance. Naturally it must be done in accordance with approved procedure and orderly administration. But very few abuse it. And you would be surprised to see how it helps a man who feels hurt to know he can always give his story face to face to the man at the top."

As we finished our picture and packed our equipment, I experienced a curious feeling. The roar of the machinery, the raucous noises, even the vile odors of the tannery quickly gave place in memory to a feeling that I had been privileged to look within a truly great human institution. It was all cogs, wheels, leather, hides, men and what not. But in retrospect, it was only the men and women—the humanness of it all—that stood out.

Honest work for honest pay, thrift for the rainy day, kindly guidance, a friendly hand, and, above all, a genuine spirit of brotherly love—all and more were embodied in this sound American institution. And withal there was no trace of paternalism, or of socialistic theories which so often waylay and ruin the plans of humanitarian souls who emote much but reason little. No loafers here; no shirkers. No wastrels carried along by the thrifty. Their fellows would see to that. No, all this inspired leadership had as a basis the only sound principle of humanitarian effort—helping a man to help himself. Here was seen private enterprise at its best—a complete partnership between capital and labor.

For 50 years George F. Johnson labored unceasingly and, of greater importance, most intelligently toward an ideal. He built a good product at a fair price; he paid employees all he could and still keep plant and capital structure in sound condition. He constantly retired debt that he might be able to pay his employees more. And he constantly sought to afford every facility to a broader and happier existence—in short, to build a sound, substantial business of private enterprise which in turn would build a prosperous community. The thriving cities of Endicott, Johnson City and parts of Binghamton are living monuments to his success. His profit-sharing system has distributed $12,000,000 in extra compensation to workers since 1919. During the wave of strikes in 1937, he received a voluntary pledge of loyalty signed by 19,000 employees, practically everyone who could get his name on paper.

There was no room in this program for the "class struggle." Nor the theories of radicals that labor and capital are basically enemies. And there was no acceptance here of the thought that the role of government is to insert a wedge of distrust and suspicion between the partners, and then attempt to close the breach with legislation.

The Meaning of It

And the result is an incalculable asset to the entire region of the Square Deal Towns, and an example of the possibilities in our American way of free enterprise that should be familiar to every citizen of our country. For here is an industrial clinic that reveals how and why we are enabled to have the highest standard of living in the world. And here is a striking illustration of the only sound system of distribution of wealth. But, note carefully, the wealth must first be produced, earned, created before it can be shared. That is the American way. There is no thought here of taking from one to give to another, or mortgaging the future without due regard to other vital factors.

As I boarded the train that night for New York, still wearing my old hat, my imagination ran rampant with the vision of greater productivity, increased wealth, more jobs and happiness that could be ours if the lessons of the Square Deal Towns were better known to the American people and heeded by their leaders. We have learned that in wars among nations everyone loses. When will we learn that the same is true of industrial warfare?
In Commemoration of Marx

From a round table of the American Economic Association

At the winter meeting of the American Economic Association there was a round table "In Commemoration of the Communist Manifesto." Two papers were read. One, by Professor David McCord Wright of the University of Virginia, subjected the Marxian mythology to a process of destructive distillation. The other, by Professor Talcott Parsons of Harvard, was more concerned with the indebtedness of modern social theory to the work of Marx and Engels. The essential parts of these papers are reproduced here.—Editor.

David McCord Wright

The Economics of a Classless Society

"The Communist Party is not the masses or the proletarian."

The Marxian class schema is one of the most potent social opinions of our time. Prima facie the communist gospel accepts nearly all of our highest values, and its relation to the ideals of the eighteenth century illuminati is obvious. Men are naturally "good," and naturally "equal." Evil and inequality spring alike from a "bad" environment. If, with the aid of "science" we create a "good" environment, men will become "good," and so on. It remains only to add the Marxian concept that there are but two important social classes, and that class antagonism and class "exploitations" are the root of all evil, to be led inevitably to the prescription of the dictatorship of the proletariat, the abolition of private property, and, in final climax, the withering away of the state when "in place of the old bourgeois society with its class antagonisms we shall have an association in which the free development of each is the free development of all."

The basic fallacy of the Marxian and modern liberal outlook alike is the idea that planning will avoid pressure group conflicts. "From the time," wrote Marx, "when together with class domination and the struggle for individual existence, resulting from the present anarchy in production, those con-
licts and excesses which arise from this struggle will all disappear . . . there will . . . be no need for the state.” (Italics added.) Evaluation of this statement implies the essence of our argument. I submit that the fundamental weakness of the Marxist and modern ultra-liberal analysis, alike, is its naive psychological view of man as a consuming machine. This error furthermore is no more than the logical corollary of one of the most respectable ideas of nineteenth century thought—the utility calculus.

Under the nineteenth century ideology men were looked upon as balancing a certain amount of work (disutility) against a certain amount of enjoyment, or leisure, or consumption (utility). Work therefore was conceived of as drudgery and the aim of progress was to enable us to do as little of it as possible. The whole creative instinct of the human race was slurred over. In a healthy society, however, work is not to be thus sharply set off against enjoyment. True that particular satisfaction called work may be subject, like others, to a law of diminishing marginal utility, and we may have to supplement the pure instinct of workmanship to get as much work out of a man as we wish, but this is not ground for making the sharp division between labor and consumption usual in economic and Marxist thinking. Work is still frequently one of a man’s satisfactions.

* * *

From the recognition of this fact we soon see the possibility of conflicts even in an equitarian communist state. It is not simply a matter of friendly dispute between impartial scientists as to the best way to do things. The problem cuts much deeper. It is all very well for Lenin to say that in the Marxist utopia “the authority of the government over persons will be replaced by the administration of things and the direction of the processes of production.” One cannot direct and (more important) redirect the processes of production without directly controlling people.

Whether we could all of us be trained to do, and like to do, anything and everything, if we started soon enough, is a point which need not be debated at this point. It is sufficient to realize that by the time a man reaches thirty-five he is likely to have committed himself, occupationally and emotionally, to a given line of work—often to a given community and so on. Not merely the size of his income but his joy of effort is likely to be related to the social demand for his skills. It follows that, when men are thus emotionally committed to regions and occupations, they also become committed to a certain pattern of resource use. And when that pattern is threatened everyone so dependent on it—be he capitalist or worker—will have some vested interest in resisting change.

Yet we must remember that without technological change, income cannot keep rising. The Communist Manifesto implies as much. “Constant revolutionizing of production, uninterrupted disturbance of all social condition, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones.” The result is that a nation which desires a rising standard of living must be a nation in which there are constant vertical (class) economic conflicts.

* * *

The Marxist is caught in a curious dilemma. If he argues that men, in modern industry, have all become interchangeable parts and therefore will not care what they are doing, and hence will not form pressure groups, he is admitting that the instinct of workmanship is going to be frustrated in his society. Furthermore, practically speaking, the interchangeable-part-idea will not be true of the higher rank scientists and planners. On the other hand, if he admits the existence of the instinct of workmanship, he must admit the existence of potential class (group) conflict in the socialist state. Many an erstwhile happy man could be left stranded as a back number and no money salve is ever likely entirely to relieve his hurt.

From the highest and noblest motives, as well as from the most base, the scientist who wishes to introduce a new pattern, involving new resource allocations, will be involved in conflict. The “free development” of the man who wishes to continue in an obsolete industry can never be the “free development” of all—and this not from money or even from selfish reasons but because of a conflict, if you will, in artistic drives. Those UNESCO “scientists” who wished to avoid conflict by giving every man a chance for “personal growth and development” have failed to realize that one man’s growth may involve another’s “insecurity.”

* * *

From the foregoing we see the inadequacy of the Marxian schema where change and resulting conflict of vertical groups are concerned. But consideration of men’s satisfaction in work leads to another and equally important source of potential conflict—the diverging interests of representatives and represented. Marxian literature contains considerable references to “primitive democracy,” or rule by the whole people. This is another nineteenth century delusion. In practice it must mean rule by representatives of the people. For Lenin’s references to “the discharge of all the functions of government by the majority of the population and by every individual of the population,” is simply a physical
impossibility for large nations—say the U.S.A. and the U.S.S.R. Merely as a matter of mechanics, representatives must be selected and the most that the proletariat, as such, can do will be to exercise a veto power, or to choose among alternatives presented to it by various individuals and groups. But this also may involve a form of conflict!

In a nonmechanical, purely rural, stationary state there would not, indeed, need to be much government. If men were moral (and hence no need to repel invasion) a mere loose occasional cooperation would suffice, and surviving conflicts would be within the home. But in the highly industrialized machine state (and the Marxists, and most socialists, emphatically wish to retain the machine) the technological dependence of individuals upon one another will be matched by the need of a politico-economic hierarchy to operate the machine. Lenin’s naive statement in “The State and Revolution” that “the great majority of the functions of the ‘old state’ have become enormously simplified and reduced in practice to very simple operations, such as registration, filing, and checking,” would not have been made after he had begun the great Soviet experiment, and encountered firsthand the immense technological complexity of modern society.

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Because of this complexity, even a static modern industrialism will require the careful and prolonged training of highly skilled men and the selection of the best of them for responsible positions. But this involves administration and potential conflict. For we must first inculcate the desire to want to do a good job for the state; i.e., ambition (however noble), and then we must make a selection—which involves thwarting some of these ambitions. The best that can be hoped for, in such a society, is the reconciliation of men to “legitimate” disappointment. Absolute abolition of disappointment is impossible.

Thus we must conclude that even if the industrialized state is stationary the proletariat cannot ever dictate. It is at best certain proletarians who do the dictating. In the same way the rank and file of a union, or other electoral body, though also retaining some residual veto, does not bargain directly. Certain representatives bargain. But the naive left-wing idea of a universal identity of interest between bargainers and those in whose name they bargain can scarcely be justified. . . .

Yet, still more important, real understanding is never attained if we think of divergences between representatives and represented as rooted only in directly egotistical or venal motives. Far from it. The desire to do what one thinks “good” for or to people—whether they want it done to them or not—is one of the most common and most irritating attributes of generous and high-minded individuals in all societies. Compassionate, soft-hearted ascetics have burnt thousands of heretics at the stake. One of the most dangerous of philosophic quibbles, if literally applied, is to argue that the truly free man is only he who is allowed to do “only” what is “right.” Such an attitude is the open door to tyranny. The right to make a fool of oneself is one of the most precious aspects of democracy. That is what we mean by the “pursuit of happiness.”

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To sum up, the Communist Party is not the masses or the proletariat. At best it is a group of men trying to act according to their own ideas of what is best for the masses or the proletariat, and at worst it is a group acting to preserve its own power. Furthermore, since it is a self-selecting group it is apt to be a one-formula group—increasingly rigid, conformist, and unadaptable—more and more swallowed up by its own preconceptions.

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It will, however, be objected that we are assuming a “fixed amount of evil” in human nature, but that in fact human nature is pliable. Men may be taught, it is said, to become moral and they may be bred and taught so as to produce equal intelligence. Perhaps so. But does the inauguration of either centralized planning or the dictatorship of the proletariat in itself do anything to eliminate selfishness (of however noble a sort) or stupidity?

The communist-socialist-planning doctrine on this point has a good many versions. First of all it may be argued that working for the “social good” rather than “personal advancement” will eliminate egotism and rivalry. This, however, does not follow. As I have said elsewhere, “suppose one psychologist thinks he has a better method of teaching absence-of-self-assertion than another. Must he not at least have enough assertion left to assert better methods of teaching nonassertion? But is it right to show up the other fellow?”

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Another, and very plausible argument, runs as follows: Selfishness may still remain but there will be no need to use it. By “liberating production from its bourgeois shackles” men will have more than they want of everything—there will be no economic goods and no occasion to display selfishness, for there will be nothing to be selfish about.

Two answers may be made to this:

First, the wants of a free people are often thought of as “boundless.” However much the standard of living may rise, most men, after an interval, will want more.

Secondly, there can never be enough power, prestige, fame or love of particular women to go around among the people who want them. But
since, even if one disagrees with the first answer, the second remains, changing social systems will not in itself change selfishness. It will only emphasize different things to be selfish about. And the potentiality of ugly conduct inheres as much in the mere fact of rivalry as its nominal goal.

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Clearly the literally classless and conflict-free state is impossible. Two lines of procedure remain. The first is to try to eliminate overt conflict by substituting frustration and routine. This, following Whitehead and Toynbee, I shall call the pseudo-solution. What does it imply in concrete economic terms? We may summarize the necessary conditions as follows:

The (almost) conflict-free state must first of all be stationary in technique and in population. Next, the level of technique at which the economy is stabilized must be so low that pretty much everyone could fill any office. Next, selection of rulers must be made by objective criteria largely independent of training: for example, simple rotation, seniority, casting lots, or divine or hereditary right. Finally, free inquiry must be suppressed and everyone rigidly conditioned to the acceptance of that standard of living, technique, and place in life “to which it has pleased God to call him.” Perhaps, if the conditioning were done well enough, the state might largely disappear, and coercion and conflict survive only in the rigid training of children by their parents. This is the nearest we can come to a literally conflict-free world—and as far as I am concerned you are welcome to it.

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But there is a second choice. If we decide, instead, to create a society in which men really do have a chance to “grow and develop personally” and to express their instincts of workmanship, then we will stop talking of an absolute absence of conflict, and absolute security. We will begin to look, instead, for a myth which will reconcile men to “legitimate” disappointment and insecurity, and which will thus enable us to move “from force to persuasion.” If we want continued technological and artistic growth, we must find means of providing not merely for the obsolescence of skills but also for the obsolescence of the power connected with those skills. In other words, we must set up a code of emulation and selection—and, since all men are not likely to abide by this code, we must establish, as well, some “particular power of suppression” to enforce it in the cases when persuasion breaks down.

Of the available codes the one which, theoretically at least, involves the greatest elasticity, is competitive private property. This of course does not mean one hundred per cent laisses faire. Nevertheless the competitive market is almost the only form of economic organization which has “built in” to it the means of disposing of obsolete skills. Private property in such a market is conceived of as constantly destroying itself in the particular instance in order to survive in the general. There is thus an arrangement for disposing both of obsolete skills and obsolete power without upsetting the whole social fabric. But guild socialism, for example, makes little provision for an obsolete union, and the problems of democracy and of technical change alike are not solved by substituting one group of oligarchs for another. Only if we provide for constant infiltration from below, on independent terms, do we meet the dilemma.

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Thus we conclude as follows: We cannot wholly destroy classes or conflicts, we can only minimize them by keeping the doors of opportunity as wide as possible. Though this often involves the limitation of state action, it nevertheless cannot involve pure anarchy. Perhaps capitalism is no longer the best way of maintaining a fluid society, but certainly no acceptable alternative will be found as long as we do not even recognize the existence of the problem, and envision it as the mere substitution of one group for another. Thus we see that though Lenin was thinking only of a species of Rousseau-like anarchy, he nevertheless wrote a profound truth in saying that “democracy will also disappear when the state disappears”—for the state will disappear only when the potentialities of conflict disappear, and the potentiality of conflict will disappear, if then, only when democratic freedom of expression, and of creation, disappear with it.

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Talcott Parsons

The Marxian View
As a Point of Departure

This is the centenary of the Communist Manifesto, the first major theoretical statement of Marxism, and some stocktaking of where Marx and Engels stood in an important line of the development of social science, rather than only as the ideological founders of “Scientific Socialism,” is in order. From my point of view, looking toward the development of modern sociological theory, Marx represented a first major step beyond the point at which the Utilitarian theorists, who set the frame of reference within which the classical economics developed, stood. Marx introduced no fundamental modification of the general theory of human social
My analysis of social stratification is based heavily on the general view that stratification is to an important degree an integrating structure in the social system. The ordering of relationships on this basis is necessary to stability. This is necessary precisely because of the importance of potential though often latent conflicts. Therefore, the problem of class conflict may be approached in terms of an analysis of these latent conflicts and of the ways in which the institutional integration of the system does and does not succeed in developing adequate control mechanisms. The following principal aspects of the tendency to develop class conflict in our type of social system may be mentioned:

1. There is an inherently competitive aspect of our individualistic occupational system. Because it is differentiated on a prestige scale and because there is individual choice of occupation and a measure of equality of opportunity, there will be inevitably some differentiation into winners and losers. Certain psychological consequences of such situations are known. There will be certain tendencies to arrogance on the part of some winners and to resentment and to a "sour grapes" attitude on the part of some losers. The extent to which the system is institutionalized in terms of genuine standards of fair competition is the critical problem.

2. The role of organization means that there must be an important part played by discipline and authority. Discipline and authority do not exist without generating resistance. Some form, therefore, of structuring in terms of an opposition of sentiments and interests between those in authority and those subject to it is endemic in such a system. The whole problem of the institutionalization of authority so as to insure its adequate acceptance where necessary and protect against its abuse is difficult—doubly so in such a complex system.

3. There does seem to be a general tendency for the strategically placed, the powerful, to exploit the weaker or less favorably placed. The ways in which such a tendency works out, and in which it is controlled and counteracted, are almost infinitely various in different societies and social situations. The Marxian theory of capitalistic exploitation involves what is claimed to be an integrated combination of reinforcing factors, the principal components of which are (a) the use of positions of authority within organizations (the capitalistic "boss"); (b) the exploitation of bargaining advantage in market relations (e.g., the labor market) and (c) the use of the power of the state to the differential advantage of certain private interests ("executive committee of the bourgeoisie"). In my opinion, the Marxian view of this factor needs to be broken down into such components and related to a variety of factors Marx did not consider. In the face of ideology and counterideology, this is particularly difficult but it is essential if one is to reach a basis for a scientific judgment of the Marxian doctrine of the dynamics of capitalism.

4. There seem to be inherent tendencies for those who are structurally placed at notably different points in a differentiated social structure to develop different "cultures." There will tend to be a differentiation of attitude systems, of ideologies, and of definitions of the situation to a greater or less degree around the structure of the occupational system and of the other components of the instrumental complex, such as the relation to markets and profits. The development of these differentiated cultures may readily impede communication across the lines of these groups. Under certain circumstances, this tendency to develop a hiatus may become cumulative unless counteracted by effective integrative mechanisms. A leading modern example is the opposing "ideologies" of business and labor groups in modern industrial society.

5. It is precisely in the area of such a subculture, which is integrated with a structural status that the problem of articulation with kinship becomes most acute. The differences in the situation of people placed at different points in the occupational system and of the consequences for family income and living conditions seem to lead to a notable differentiation of family type. In American urban society, a relatively clear differentiation of this kind has been shown to exist between "middle class" and "lower class" groups, as they are generally called in the sociological literature. These differences are apparently such as to penetrate into the deepest psychological layers of attitude determination. There are indications from our society that the family structure of the lower groups is such as to favor attitudes which positively handicap their members in competition for status in the occupational system. The role of the integration between occupation and kinship, therefore, under certain circumstances can become an important factor in pushing toward
cumulative separation of classes and potential conflict between them.

6. Absolute equality of opportunity in the occupational system, which is, in a sense, the ideal type norm for such a system, is in practice impossible. There seem to be two main types of limitation.

(a) Certain of these are, as noted above, inherent in the functional requirements of family solidarity. Children must share the status of their parents and, in so far as this is differentiated, the more favored groups will have differential access to opportunity. This seems to be counteracted by certain compensating mechanisms, such as leading some of the children of the upper groups into paths which positively handicap them in occupational competition. It may also be pointed out that a differential birthrate also has a functional significance in leaving relatively more room at the top for the children of the lower groups.

(b) There are important reasons to believe that the complete institutionalization of the universalistic and functionally specific standards so prominent in our occupational world is not possible in a large-scale social system. Such problems as the difficulty in establishing comparability of different lines of achievement, the lack of complete adequacy of objective standards of judgment of them and similar things necessitate mechanisms which avoid too direct a comparison and which favor a very rough broad scale, rather than one of elaborately precise comparison. To take just one example in the academic profession, there is a wide variation of degrees of distinction between the senior members of any large university faculty. The tendency, however, is to play down these variations in favor of a broad similarity of status, for instance, as full professor, to conceal differentiations of salary within this group from public view, and to concentrate the most highly competitive elements at certain very narrowly specified points, such as the appointment to permanent rank. Considerations such as these lead to the view that there will be elements in an occupational system which run counter to the main structural type but which have the function of "cushioning" the impact of the latter on certain "human factors" and thus protect the stability of the system.

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The fundamental problem then is how far factors such as these operate to produce deep-seated and chronic conflict between classes and how far they are counteracted by other factors in the social system, such as the last mentioned. It should first, of course, be pointed out that these are not the only directions in which a structuring tending to conflict takes place. There is considerable evidence that, in the modern Western world, national solidarity tends generally to take precedence over class solidarity and that, even more generally, the solidarity of ethnic groupings is of particularly crucial significance. One cannot help having the impression that, in these matters, Marx chose one among the possibilities rather than proving that there could be only one of crucial significance.

In my own opinion, furthermore, in Europe the precapitalistic residues of the old class structure in the ways in which they got tied in with the consequences of the developing industrial society have a great deal to do with the acuteness of class conflict. The latter is not, that is, a simple function of the structure of capitalism itself, but of capitalism plus precapitalistic structures.

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Class conflict exists in the United States, but its story is certainly notably different from the European case. Another most important general set of conclusions from this type of analysis is that there must be a fundamental identity of the basic functional problems of social stratification and class, in capitalist and socialist societies, given two really fundamental elements, the large-scale organization and occupational role differentiation of industrial society and a family system. The history of Soviet Russia would seem to confirm this view. The role of the managerial and intelligentsia class, which has been progressively strengthened since the revolution, does not have a place in the Marxist utopia. In certain major respects, it closely resembles that of American society. I, for one, do not believe that there is a sharp and fundamental sociological distinction between capitalist society and all non-capitalist industrial societies. I believe that class conflict is endemic in our modern industrial type of society. I do not, however, believe that the case has been made for believing that it is the dominant feature of such society and of its dynamic development. Its relation to other elements of tension, conflict and dynamic change is a complex matter, about which we cannot attempt the Marxian order of generalization with certainty until our science is much further developed than it is today.

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The Marxian theory of class conflict seen as a step in the development of social science, rather than as a clarion call to revolution, represents a distinct step in advance of the Utilitarian background of the predominant economic thought of a century ago. Though couched in terms of a neo-Hegelian evolutionary theory of history, it was, seen in terms of subsequent developments of social science, an advance more on the level of empirical insight and generalization from it than of the analytical treatment of dynamic factors in social
process. The endless exgetical discussions of the "relations" or "conditions" of production and of what was meant or implied in them is an indication of this.

As a point of focus for the subsequent development of modern sociological theory, however, the Marxian ideas have had an important place, forming a point of departure for the formulation of many of the fundamentals of the theory of social institutions.

When the problem of the genesis and importance of social classes and their conflicts is approached in these modern sociological terms, however, considerable modifications of the Marxian position are necessitated. Systems of stratification in certain respects are seen to have positive functions in the stabilization of social systems. The institutionalization of motivation operates within the system of capitalist profit-making. The Marxian ideal of a classless society is in all probability Utopian, above all so long as a family system is maintained but also for other reasons. The differences between capitalist and socialist societies particularly with respect to stratification are not as great as Marx and Engels thought.

In both types there is a variety of potential sources of class conflict centering about the structure of the productive process. Those lying within the Marxian purview are not so monolithically integrated in the process of capitalist exploitation as Marx thought, but are seen to be much more specific and in certain degrees independently variable. Some of them, like the relation to family solidarity, lay outside the Marxian focus of emphasis on the relations of production.

In so far as Marx and Engels were true social scientists, as indeed in one principal aspect of this role they were, we justly celebrate their centennial in a scientific meeting. They promulgated ideas which were a notable advance on the general state of knowledge in the field at the time. They provided a major stimulus and definition of problems for further notable advances. They formed an indispensable link in the chain of development of social science. The fact that social science in this aspect of their field has evolved beyond the level to which they brought it is the finest tribute to their achievement.

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Complete Design for An American Socialist State

*By Senator Robert A. Taft

We face today a real crisis in the future of this country. We have presented to us in Congress a program which, if enacted in full, will change the whole character of our government and of our people. While that program has acquired great force because of the result of the election, I question whether there really is any popular mandate for it or for any single feature of it. I am quite certain that the people did not consider the program as a whole. As a matter of fact, I believe that there was no overriding national issue or national interest in the last election.

Broadly speaking, I believe we face now the question whether we shall maintain a government based on liberty or establish a Labor-Socialist government very similar to that controlling the destinies of Great Britain, imposing the wishes of the state on a regimented people with little freedom to move except as the government permits.

As we look back through history, we see brief periods in which liberty has prevailed, but in the major part of historical time it has been suppressed by emperors and kings, by oligarchies, by plutocracies, by so-called democracies and proletarian majorities. It is hard to gain and easy to lose unless it is kept alive by an aggressive determination that it shall not perish from the earth. Today the battle between liberty and totalitarian government permeates every problem of life. It lies at the base of our battle with fascism and naziism and communism.

The American people believe in liberty, but the totalitarian creed so prevalent abroad would be fully

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* From a speech before the Pennsylvania Manufacturers Association.
established by the program which we now face here at home. What is that program?

For a Planned Economy

1. A planned and controlled economy. We have now had presented to us an economic control bill which clearly accepts the principle that the government is responsible for every detail of the operation of our complex economic machine which lies at the base of our standard of living. The bill gives the government the power to fix prices over the protest, maybe, of farmers and other producers and businessmen. It gives the power to fix wages over the opposition of labor. It gives the government power to allocate materials and ration consumers over the opposition of businessmen, farmers, and housewives.

If these powers are to be given, obviously the power to control rents is to be made permanent. Further powers are sought over the banks, and a wide extension of the government's power to lend money. Finally, the government is authorized to go into any business if it feels that the private capacity in that industry is insufficient. Obviously, no private man can ever compete with the government, and of course government entrance into an industry would check all private development.

Restoring an Irresponsible Power

2. The government proposes to restore a condition in which the bosses of labor unions become also the bosses of industry and of their own members. The Thomas repeal bill removes all responsibility again from unions and restores irresponsible power. Yielding to the demands of Mr. Green, it is proposed that unions be relieved from any legal obligation to bargain collectively, from any liability on their contracts, from any liability in damages to those third parties whom they may injure by secondary boycotts and jurisdictional strikes, from any legal responsibility to withhold nation-wide strikes which threaten the safety and health of the people of this country. The repeal bill proposes the restoration of arbitrary power over individual workmen and union members.

The Taft-Hartley law reaffirmed the liberty of the individual to work at the job which he found most acceptable, the right not to be coerced by either employer or union, the right not to be called out on boycotts in which he was not interested in order to increase the power of some union leader, the right not to be bossed by Communist leaders, the right to receive his full pay without checkoff unless he desired to pay his dues to the union in that way, the right to receive financial reports of the operations of his union. The right to be free from discriminatory and excessive dues, the right to be free from forced political contributions, the right of freedom of speech.

All of these liberties which lie so close to the welfare of the average man and to the welfare of his wife and children are to be wiped out by the restoration of special privileges to labor unions which are enjoyed by no other man or organization in the United States.

A Complete Welfare State

3. Now we have a bill to establish a complete welfare state, going far toward the Beveridge plan of government subsidy from the cradle to the grave. It is proposed to increase tremendously the pay-roll taxes on all employees and then put the Federal Government into full control of all welfare operations. One bill proposes the socialization and nationalization of the medical profession. The government is going to extend the public housing program to a point where the construction of 250,000 public housing units a year will interfere seriously with the development of the private housing industry.

The Federal Government is now going to subsidize all of those people who may be considered needy by some government bureau, including, I suppose, somewhere from ten to thirty million people, and all of this is to be done under a very tight federal control out of some Washington bureau without regard to expense and without regard to the interest of the taxpayer. It would indeed be the establishment of a welfare state. Organized charity and government welfare service to the whole population can destroy the freedom and also the character of the people to whom it is extended. It can increase the power of the central government in Washington until Washington bureaus govern the daily lives of every family in the United States. Incentive and initiative can be paralyzed. We will be ruled by people who take no personal risks and create no jobs. The people will be taxed without realizing it through a deduction from payroll, and perhaps get some part of those taxes back in the form of government services and activity which they may or may not want. There is real danger to liberty in the welfare state.

You Can Tax Away Liberty

4. Of course, this entire program will tremendously increase the expenses of government and the
taxes to be paid. Already the budget has reached $42 billion. The immediate proposals will increase it to at least $50 billion, and the working out of those proposals will reach at least $60 billion within four or five years. Domestic expenditures are supplemented by liberality in expenditures abroad which shows no sense of restraint or of the burden on the American taxpayer.

The imposition of such a tremendous tax burden on the people and on the productive machinery of the country is likely to be a serious deterrent to further expansion. Already it is difficult to find new money for investment. As industries become unprofitable, the government is to step in until the burden on those that remain will be so heavy that a private system cannot continue at all.

You can socialize just as well by a steady increase in the burden of taxation beyond the 30% we have already reached as you can by direct government seizure. Of course, the very imposition of heavy taxes is a limitation of a man’s freedom. There was a time when he could decide how he would spend the money which he earned in the sweat of his brow. Today the government takes from him a large proportion of those earnings and decides for him how they shall be spent—perhaps without benefit to him, perhaps in the rendering of services which he does not desire.

This entire program taken together can only mean the abandonment of real liberty in the United States. It can only mean a vast increase in power in the Washington government which will enable it either to operate itself in many fields where freedom now exists or to direct in detail the manner in which agriculture, commerce, and industry shall be conducted, and in detail the manner in which families shall conduct their daily lives.

In my opinion, a totalitarian state of the character which is now contemplated cannot long remain democratic if it is to be effective at all. The American people, at least, in our vast diversified country, will never stand for the socialization of their lives unless it is imposed on them by an overpowering force.

The Job Is Not Negative

The present Congress has therefore a tremendous responsibility. I believe that its principal task is to prevent changes which would affect the whole nature of our government and the character of the American Republic. Of course, its job should not be purely negative. It should develop an affirmative program to assure progress within the limits of the principles of liberty and justice for which this nation was founded.

The Taft-Hartley law was a bill to prevent the abuses which had arisen in our present system and restore liberty to employers and to individual employees.

We believe that we can deal with the economic problems by the traditional weapons of sound fiscal policy and credit control and such other government operations and public works as are part of the recognized activities of a free government.

In the field of welfare, I am convinced that we can make more real progress within the principles of liberty than we can by setting up the Federal Government as a dispenser of bread and circuses. . . .

The Federal Government should not spend its money except for the purpose of eliminating hardship and poverty and giving equal opportunity to the children of the nation. If that limit is imposed, then these activities are not socialistic.

It is not socialism, for instance, to give free medical care to the needy, as we have done in every community for years. It is socialism to dispense free medical care to the whole population, most of whom are fully able to pay their own way. If we give free medical care, why not free food, clothing, housing, and every other necessity of life?

Housing activities are not socialistic on the part of any State as long as they are intended to assist those who cannot otherwise obtain decent housing and as long as nine tenths of the housing industry is in the hands of private builders and paid for by those who can afford to pay. To this extent, housing is just as much a legitimate problem of government as education or medical care. . . .

The matter of relief is one that is now being cared for by the states, and cared for successfully. I think it is most unfortunate that the new program suggests a direct federal subsidy as a normal matter.

The program I suggest attempts to meet the just demand of the American people for the most humane treatment of those who fall behind under the pressure of a productive free economy while it maintains the liberty of the people and the liberty of their states and local communities. Real progress toward human welfare will be much more permanent if it is based on the initiative and interest of the people in each state. There can be an infinite variety of new methods developed until we find the best. The whole country will not be forced into the strait jacket of an ideology which controls a few experts in Washington.
This nation was recognized as the Mother of Parliaments; all the world looked to us as a model, and it is against this background that the study of the present position should be undertaken. It is not, for instance, possible to attach the traditional respect for law to the 25,000 departmental orders, issued on the authority of ministers by anonymous officials, which in recent years have altered completely the constitutional position of the British citizen.

There is so much detail in the daily news that the consideration of overriding principles tends to be neglected; it is difficult to see the wood for the trees. A shallow public interest in, say, basic petrol, tends to obscure the more important question of the wisdom of government buying and selling, and so it is with most of the current discussions on public affairs. The shopkeeper, who must exhaust his intelligence in the study of complicated orders about such matters as the size of the leaf of a stick of rhubarb, is apt to forget that his business, his prosperity, and indeed his very being, all arose from the simple fact that rhubarb and all such things were understood to be completely outside the realm of political rule and regulation.

Confining our attention to the happenings of the last ten years and, for convenience only, assuming that government in 1939 was of comparatively good quality, consider what has happened. On the first Sunday in September, 1939, no less than 48 Acts of Parliament were passed through all stages by both Houses at a single sitting and received the Royal Assent within a few hours of the declaration of war upon Germany. Nobody doubts, even now, the propriety or necessity of that proceeding, as a war measure, but as a war measure only. The people’s acquiescence, and the sentiments behind it, were accurately stated by Mr. Churchill in the House of Commons on that fateful day in 1939:

"Perhaps it might seem a paradox that a war undertaken in the name of liberty and right should require, as a necessary part of its processes, the surrender for the time being of so many of the dearly valued liberties and rights. In these last few days the House of Commons has been voting dozens of bills which hand over to the Executive our most dearly valued traditional liberties. We are sure that these liberties will be in hands which will not abuse them, which will use them for no class or party interests, which will cherish and guard them, and we look forward to the day, surely and confidently we look forward to the day, when our liberties and rights will be restored to us, and when we shall be able to share them with the peoples to whom such blessings are unknown."

If, at that time, any Member of Parliament had suggested that all these new laws would be in operation three years after the war had been won, his sanity would have been questioned.

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Since the end of the war the quality of self-government has deteriorated further still. From June, 1945, the parliamentary machine has been worked to exhaustion. Never before, in times of peace, have so many laws been put upon the Statute Book in so short a time, and all these new enactments must clearly be recognized as differing in their origin and quality, both from the self-governing laws of the prewar period, or the emergency laws of September, 1939. The House of Commons has been used in the manner of a sausage machine, and new laws touching at a thousand points the daily doings of the citizens have been pushed through without any pretense of adequate parliamentary consideration. Bills have been drafted by the bureaucracy, whose natural and proper business is to govern for the sake of governing. Hundreds of pages of new laws have been put into force, in words often obtuse and unintelligible, even to the anonymous bureaucrats by whom they were originally drafted.

The story, however, is not yet complete. Many of these laws need not have been drafted, in detail, at all, for they give to the minister absolute power to do whatever he likes, including, in some cases, the power to alter the act itself. Self-government has been reduced to a patent farce and the English Parliament of history has been reduced to a position which can now be recognized as dangerously close to the farcical parliaments in totalitarian countries.

Members of local authorities are pathetically lacking in a worthy understanding of the self-government their fathers bequeathed to them; in consequence, local councils have almost lost their raison d’être, and nine tenths of their work now consists of implementing the orders of centralized government departments. A totalitarian system which denies the right and ability of Birmingham or Leeds to control parking spaces or lavatories does much more than increase the cost of these
details, it destroys the interest of the citizen in the good ordering of his city. In practice it removes the urge to serve the public, and substitutes the pressure of friends and relations for "jobs." If this sort of thing can last, then the nation is not worth saving.

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The story of public finance in the last 20 years seen through the spectacles of only 25 years ago is a murky record of crime. So-called reforms have demanded an ever-increasing supply of money and encouraged the idea that cheap money was a process of betterment. Public debts have become so large as to make market-rigging an essential part of statesmanship, whatever the politics of the statesman. The less-favored and overgoverned foreigner who, in the past, brought his business to England to escape the dangers of monetary manipulation, now looks in vain for such security.

The gilt-edged market, once the aristocracy of the whole society of money, has almost ceased to be a market at all, and become the playground for experts in graphs, charts and theories, the jugglers in index numbers, who from 1932 to the present time have struggled to control the situation. The unhealthy nature of the change is seen today, when, instead of placing complete reliance upon "The Funds," the whole body of trustees is anxiously seeking for alternative forms of investment. While in the past, no doubt, some private capitalists may have cheated one another, now the government capitalists cheat everybody and the business of cheating has indeed been completely nationalized.

Public expenditure, national and local, in 1948, is running at the rate of 4,000 millions per annum, derived from direct and indirect taxation, local rates and loans, and, seeing that so huge a sum is beyond the understanding of a normal brain, it is more convenient to reduce it to the personal figures of the average individual. The expenses of central and local government, expressed in this way, amount to approximately £7 per week per family. Every family contributes towards this unprecedented extravagance; even the pauper pays in the price of the things he buys.

Public expenditure has reached such proportions as to be beyond the capacity of even the statistician. For example, an estimate is accepted for the current year without considering the liability created for future years; there is no comprehensive and complete account of public borrowing, certainly no adequate account of the purposes to which new loans are applied, nor is there any record to disclose the continuous depreciation in public property for which correct accountancy would require provision to be made. It is, therefore, seriously to underestimate the rate at which the nation is eating into its resources if the total of the taxes and the figures of the Budget are alone taken into account.

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It is useful to glance back to the days of Mr. Lloyd George, who was the first statesman to practice socialism in a big way, and who professed to give us the perfect world for 1/- in the £1 of its present cost. A study of the speeches in support of the famous People's Budget leaves no doubt that the advocates of the first big effort to pauperize the people were convinced that all our needs were adequately provided with a budget of £300 million, i.e., 7/- per week per family. Mr. Lloyd George was reforming and perfecting our social system when the power of the nation was at its height, when Britain's influence in the world was supreme and unchallenged, and when our trade was at its zenith, exports and imports reaching figures which all the targets of 1948 have so far proved unable to approach.

It is, to say the least, puzzling to compare the figures of the Welsh Wizard and those for which Sir Stafford Cripps is now responsible. In the single item of food subsidies Sir Stafford is spending twice as much, in money, as Mr. Lloyd George required to pay the total expenses, international, national and local, of the whole business of government. In recent months as much money has been voted for the re-equipment of the mines as was previously required to provide for the Empire. We have similarly allocated to hospitals, education and social services for the natives of Africa, more than the total of the heaviest of the Lloyd George budgets.

The healthy interest of the ratepayers in public finance has in recent years diminished. When hundreds of millions are regular details in the daily press, indignation over a few thousand pounds to be spent upon the parish pump tends to wane. But worse, local finance has become so complicated as to make effective criticism difficult. The multiplicity of government departments and the division and constant reallocation of functions between them, have resulted in so many fingers in every little pie that the real cost of any particular item cannot readily be ascertained. Since the war, something in the nature of an iron curtain has been erected between the ratepayer and the local council by the nationalization of local debt.

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It is suggested that we are the victims of a new phenomenon, world shortage, and that our difficulties, so far from being the result of our own political folly, are really due to the sudden drying up of the sources from which we have hitherto been able to supply our needs.

The argument in its simplest form is already providing its own answer. It goes by stages; first it is
announced that there is not enough to go around, and, therefore, there must be control; it seems to be agreed that whatever there is should be equally divided among all on a basis, not of individual worth, but of individual need. A very few years of practical experience have shown that control leads to more shortage; there is, in fact, no evidence of control producing a surplus, and so more shortage means more control, leading to still greater shortage and still more stringent control.

This accepted method, for it is still accepted by a generation content to eat and drink with the scantiest of understandings of the sources of these delights, has already brought us to a state of affairs where no one without priority is ever again likely to enjoy an adequate diet; where two eggs on toast belong to the category of real turtle soup; and where bacon has to be cut like smoked salmon; and still the politicians and bureaucrats persist in the hopeless quest for plenty by methods which from their nature can only promote increasing scarcity.

Less than three years ago the politicians, planners and controllers were loud and confident in their promises of Utopia. They have since produced, with a rapidity which even the critics did not foresee, a state bordering upon actual starvation. Now, with an agility hard to find outside the realm of politics, they positively boast of the shortage and the difficulties, and proclaim that they alone possess the panacea for the cure of troubles of their own making.

The study of the present position can be reduced to very simple terms, even by the least technical of minds, and stated in the form of two questions: controlled and planned as is life today, is there anything which anybody expects (1) to become more plentiful? (2) to get cheaper? (3) to improve in quality?

If that question is applied to a pound of tea, a pair of socks, a house, a ship, or a ton of coal, there is only one answer, and everybody knows it.

The second question will be more easily understood by the tradesmen and commercial classes. Does anybody know anybody who can quote a firm price for a stated quantity of anything, for delivery on a definite day six weeks, six months or a year hence? The answer to that question is from actual experience emphatically in the negative. The politicians have set out to produce plenty, they have, as every individualist knew from the start, promoted poverty, and the general recognition is beginning to dawn that political methods are not, from their nature, capable of honoring the generous claims made for them.

The only real shortage is in the absence, here and elsewhere, of the freedom to take advantage of the prodigality of Dame Nature. The need is imperative to go back to the ideas and motives of better days and, whatever the cost in personal hardship, costs which were bravely and successfully borne by our grandfathers, enlist for the common good the maximum of skill and effort residing within the person of each individual citizen.

This world shortage theory will not stand examination. There have always been periodic shortages in particular places.

The season's crops have failed in one climate and increased in another. As the means of communication and transport have steadily developed under private enterprise, the famines and distresses, common in former ages, have been reduced to manageable proportions, and were in fact in sight of practical elimination.

The shortage of which we hear today is alone due to political control in all its many forms. Closed markets; the absence of prices; the political control of shipping, which of all services can only function to the full in freedom; the ludicrous attempt to manage money; and, the world over, the ordering of two men into one job.

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The progress of the past was achieved by the simple natural method of buying in the cheapest and selling in the dearest market. Every market started at the top, the only way in which any market can start. It thus attracted supplies from every part of the world and became, by stages, a cheap market. The existence of the market enabled every producer to place his produce at the service of consumers with a minimum of delay. The urge of all producers was to sell.

The price mechanism, now completely destroyed, operated to induce the maximum activity on the part of all producers, who could know, at any time, with a degree of certainty now gone, what would be the reward in any effort they cared to make. A price was a true index of value; it represented, in every case where there existed a free market, a compromise between the view of the producer and the opinion of the consumer. It was a little less than the producer hoped to obtain and a little more than the consumer thought he should pay. Price was the index of natural forces and pointed at once and with certainty to the existence of surplus or scarcity; it provided the required incentive to workers and traders, in a state of freedom, to disperse the plenty or replenish the deficiency. The price mechanism filled the ships of the world, kept the goods on the move, provided immediate facilities for exchange and produced the wealth which has
been so disastrously dissipated by the political method of restriction and control.

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It is not surprising, in view of what has already been said, that the world today should be suffering from a general sense of false values. The socialist aim, expressed in the phrase “each according to his needs,” has produced an unnatural, indeed, immoral state of mind. It is obvious, on reflection, that the system which professes to distribute rights to the satisfaction of needs and ignores the sources from which those needs can alone be supplied must collapse. That is the situation in which we now find ourselves; false values abound. Want has secured priority over Worth, a false position which need only be stated to be exposed; the trade union ticket is of greater importance than is personal skill to the craftsman; the Coupon is more needful to the housewife than the Cash, and, over all in public affairs, the Debtor is the master of the Creditor. These are the real difficulties and it is a waste of time and thinking powers to worry about the machinations of the Board of Trade in pretending to secure an empirical percentage of a false calculation of the eggs in Denmark only to discover a few weeks later that the arrangement is incompatible with some other bureaucratic bungle at Geneva.

False values are illustrated by terms such as “full employment,” now clearly seen to mean full pay packets and empty stomachs. The situation has developed so rapidly, the sorry story has become so serious as to cause a sickly smile at the mention of the Freedom from Want and the Freedom from Fear so loudly applauded when Mr. Churchill, as part of the price of the war, had to concede these New Deal slogans to the New Dealers of America.

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All the supposed evils of the hated capitalism have been rooted out. By comparison with that system as we knew it in the pre-Lloyd George days, one may say that nobody now works at his own risk, that nobody stands to suffer personal loss, and that nobody owns anything that matters. Those are striking claims and may appear to some to be rather too strong. They will be accepted by most people as true of those parts of our work and well-being brought under the heel of nationalization; when, however, we think of the little personal amenities which still appear to be within the orbit of individual choice and jurisdiction, it is not so easy to recognize the steady, subtle growth of new ideas as the iron curtain of collectivism moves rapidly forward.

We have already witnessed the triumph of collective irresponsibility which now covers nine tenths of the economic field with the other tenth simply waiting to be conquered. Seeing that in any scheme for the ordering of society, most of the people must accept what others place at their disposal, it is not easy for the majority to comprehend to the full the true nature of the changes that have already been made.

They have been accustomed to visit the grocer and purchase their supplies without any need to understand the ways and means by which the butter, tea and sugar have been brought to their service. They feel the inconvenience of shortage and are painfully aware of the need for counting coupons and doing with less of most of the things they would like to have. They imagine that the processes of supply have been interrupted by the war, and hope, some indeed do not doubt, that given time those supplies will come back, if not in the old abundance, at least in more liberal quantities. It is reserved for the minority, possessed of the business mind, to understand the nature of the changes that have occurred.

The business mind is accustomed, on the purchase of a piece of furniture, the building of a house, or the taking of a holiday, to consider the ways and means by which these transactions have been made possible; their origin, their cost, the nature of the marketing machinery which has made them available, and, above all, the necessity in respect of every advantage received of providing some corresponding advantage of equal value to balance the account.

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Two or three simple illustrations may help the argument. Some little time ago 19 million bananas arrived at Bristol in a condition of such advanced decay that they had to be condemned; they were shoveled from the quayside into the water of the Bristol Channel. That sort of thing, in minor ways, happens in the best of regulated families, and the families, from the nature of their economic structure, are careful to see that it happens as rarely as possible. But that sort of thing is happening quite regularly, and must happen more frequently when the banana itself, the ship in which it is carried, the ministry by which it is purchased, and everything about it, is the responsibility, not of individuals, but of the soulless state. The purchase, collection, transport, delivery and distribution of a banana is a specialized business, with very definite limitations and obligations. The fruit must be gathered in such a condition that when it arrives in the greengrocers’ shops it will have reached the exact stage of maturity required by the consumer.

By the rules of private enterprise, everybody associated with each stage of these complicated arrangements would lose or gain in so far as they succeeded or failed to keep their place in the race with nature. Unhappily for the planners, notwith-
standing all the researches of governments at both ends of the story, nature has yet to learn that putrefaction should wait upon priority. The facts are now known, the carefully planned purchase relied upon the sailing of a ship on a given date; the Ministry of Transport, having agreed to provide the ship, changed its mind; a more urgent need, at another port, put the shipping plans back a week, and a week in the life of a banana is something which the theory and practice of socialism has not yet been able to control.

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Turning to another branch of authoritative collective activity, the site for a satellite town is cleared, some of the foundations are put in, and from considerations which have nothing to do with satellite towns, that type of expenditure is suspended in favor of another. The waste is exposed to view for all to see. The worst example of this sort of limitation upon state success was a harbor on which public work was commenced, a fortune spent on dredging and other preliminary processes, when the financial policy underwent complete revision and harbors were put lower down in the list of priorities. The preliminary work was thus sheer waste because tides will not desist from the silting up of waterways in obedience to political creeds. These are illustrations of the reasons for the growing shortages of everything.

There is not a glimmer of hope if this universal reign of irresponsibility is allowed to continue. Everything must get more difficult as plan is superimposed on plan, each one in turn designed to correct the errors of the previous plan, and each made in flat defiance of the fact that it is not within the competence of a political plan to market bananas.

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Some may question the thoroughness with which the destruction of the machinery of personal enterprise, or capitalism, has been accomplished. The system, in the abstract, will last as long as arithmetic survives and a modicum of truth remains, but the destruction of the machinery of personal enterprise, or capitalism, has been accomplished. The system, in the abstract, will last as long as arithmetic survives and a modicum of truth remains, but in the absence of freedom its power to function is almost negligible. The profits to which exception is still taken bear, in most cases, very little relation to profit as properly understood.

When the trader receives, at one end of his factory, material allocated by a controller who has settled quantity, quality and price, and finds at the other end of the warehouse a queue of buyers waiting to pay a price also settled by control, the need for care and skill in buying and for energy in selling become redundant. Nothing can stop the balance, wrongly described as a profit, from emerging, and the more that is done about it the worse it gets; further official action is, in fact, something like picking at a sore. By the system of cost plus commission the trader is encouraged to increase expenses and becomes the accelerator rather than the brake on demands for more wages and shorter hours, on the cost of which he will receive his percentage.

In those rare cases where the trader is in a position to make a genuine profit, from his own skill and energy, of which after taxation he can retain only, perhaps 6d. in the £1 for his own use, he can hardly be blamed for arranging his affairs so as to make a profit of £1 to secure 6d. If the 6d. be reduced to 3d. he will arrange the profit at £2 and the end to his inflationary course will only be reached when the whole of the profit is taken and the trader is left without a shred of incentive and decides to close down. In all these arrangements the consideration of quality finds no place, and while at the moment we still pretend to search for quality for the benefit of export markets, it is little more than a pretense, for the simple reason that quality and profits are two facets of the same stone.

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More will be heard about coal in the future. At present, by means of a curious collection of flags, bands, beauty shows and vulgar propaganda devices nationalized coal is thought by some to be better than was at one time imagined to be possible. After a year of nationalization we are still producing just enough coal to enable us to get along, but coal which was available at 1/- per cwt. now costs 4/- or 5/- to the consumer. It is so expensive that fishing trawlers are unable to put to sea without special concessions, and all that part of our work which depended upon cheap coal has perf orced been suspended.

Examination of the figures shows that a small proportion of the extra money paid by the consumer has found its way into the pockets of the working miners. The rest has been swallowed up in the waste of organization. It may be that the miner, although far from satisfied, is less dissatisfied than he was. When, however, the consumer wakes up to the fact that in addition to paying four or five times as much as before he is also paying in taxes to cover the realized losses a sum which not so many years ago would have been sufficient for the whole purposes of the government of the Empire, a new set of political problems will be ready for solution.

It should be emphasized that none of these matters is directly concerned with the two world wars from which we have suffered. The immense money cost of those wars was not beyond the capacity of a nation working on the sound principles which have always governed its industry. When, as
is now quite certain, mines, railways, aviation, gas and electricity are all provided at a loss, the people will appreciate that government is, and always must be, the most dilatory, inefficient and expensive agency for the accomplishment of any economic purpose.

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Good morals and good economics go together, they are inseparable; from which it follows that if the economics are bad, the morals are also of a low order. The old sense of association between morality and work has been weakened, in some cases destroyed, by politics. No single explanation is adequate to describe the cause of this phenomenon, but a full half century of Socialist propaganda has made a mark upon the general character and conscience which will only be removed by the sufferings of which even Socialist Ministers now give us warning. We are witnessing the victory of envy, malice and hatred. Socialist philosophy has colored the thoughts and actions of millions, with the results now painfully familiar to all.

It is the pathetic fact that millions of poor deluded victims of this false philosophy are still prepared to tighten their belts and put up with still more austerity, simply for the satisfaction of knowing that their betters have been made to eat the dust.

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A Socialist government is driven to plaster the hoardings with appeals to "Work or Want." The idea is not original. Nearly 2,000 years ago it was laid down that "If any would not work, neither should he eat." By obedience to that injunction Western civilization has been built up. The result was seen at its best on our little island where, although there is space and land sufficient to maintain only half the number, 45 millions did in fact achieve a higher standard of living than was ever known in any country at any time. That was the result of the teaching of Scripture, boiled down in the modern manner to the vulgar slogan "Work or Want." The same idea, expressed in the old words, did produce tangible, satisfactory results up to a few years ago, but now for some reason, although put into more popular language, it is not accomplishing its purpose. The explanation is to be found in the disappearance of those good morals and good economics which governed our lives and all our actions until Sir William Harcourt raised his hat to Karl Marx, and Liberals and Conservatives vied with each other in the effort to deliver socialism before the Socialists could get into power.

Prior to this period, obeying the command that "If any would not work, neither should he eat," the worker was obliged to accept the personal obligation to give satisfaction to somebody else. The work of each was always subject to the approval of another; the emphasis being on the other; the consumer was the master of the producer.

It was understood that everybody always works for the benefit of others until the politicians set up "rights" as substitutes for work. The consumer was the first consideration and, as a part of the price of success, the worker or supplier was subject to the spur of fear and the risk of want and unemployment. There was running right through the whole arrangement the personal obligation upon each of us to accept the consequences of failure, in return for the prospect of the rewards of success.

The hardships imposed upon the inefficient and unfortunate cannot be denied, but the political methods employed to mitigate such hardships can no longer be defended. Today the scriptural wisdom, abbreviated to "Work or Want," is preached with an oratorical vigor surpassing any effort of the kind and yet fails in its purpose. There is, however, this difference: the work which we are now asked to perform is forced upon us, not by natural forces, but by political power. We are all actually, and some literally, "directed." We have to conform to a plan, to aim at hypothetical targets which mean exactly nothing to most of us. We are reduced to robots, cogs, units, needing no higher breeding, character or conscience than any Slav slave or Indian coolie. We are not subject to the will or the judgment of any individual, we are the victims of organization. There is here a world of difference; the approach is from the other end, the composition of the whole is such that the producer is in command of the consumer with the inevitable consequences which have now arrived. We are witnessing, in fact, the biggest psychological blunder of all history.

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There is no easy road out of our present distresses. It will take time to reinstate the profit motive, the only means to economy and plenty. The hardship of competition, without which no progress is possible, will not readily be accepted, and yet unless each of us makes the endeavor to do better than the others, the whole must continue to go down. The law of supply and demand must be obeyed; the political plans which put demand before supply will work no better than an agricultural order to plant trees upside down. Finally, we might do worse than remember that there is a Molotov on every committee, and that the safest way to happiness is to mind your own business.
To Abate the Evil of Excess Loyalty

A Project of the National Education Association

Washington, D. C.

After two years of anxious thought and study the National Education Association of the United States has launched its most urgent project. It calls for a sustained educational campaign to indoctrinate school children with internationalism. The argument for it, the necessary ideas, and the teaching techniques are developed in a publication of 241 pages, entitled, "Education for International Understanding in American Schools—Suggestions and Recommendations." The purpose is to create a race of world-minded Americans who will know what empathy means and keep the peace of mankind.

The book is addressed primarily to teachers. It is the work of a special committee representing the Committee on International Relations of the National Education Association, the Association for Supervision and Curriculum Development of the National Education Association, and the National Council for the Social Studies of the National Education Association. The committee says to begin with:

"The long-range goal of education for international understanding is world peace and human welfare, achieved and maintained through a peaceful world order operating through international organizations. The immediate purpose of such education in the elementary and secondary schools of the United States is the development of American citizens who are conscious of their new obligations to mankind. . . . Such a citizen might be called a 'world-minded American.'"

What is a world-minded American like? The committee finds him to be distinguished by "ten marks." The marks are listed as follows:

I. The world-minded American realizes that civilization may be imperiled by another world war.

II. The world-minded American wants a world at peace in which liberty and justice are assured for all.

III. The world-minded American knows that nothing in human nature makes war inevitable.

IV. The world-minded American believes that education can become a powerful force for achieving international understanding and world peace.

V. The world-minded American knows and understands how people in other lands live and recognizes the common humanity which underlies all differences of culture.

VI. The world-minded American knows that unlimited national sovereignty is a threat to world peace and that nations must cooperate to achieve peace and human progress.

VII. The world-minded American knows that modern technology holds promise of solving the problem of economic security and that international cooperation can contribute to the increase of well-being for all men.

VIII. The world-minded American has a deep concern for the well-being of humanity.

IX. The world-minded American has a continuing interest in world affairs and he devotes himself seriously to the analysis of international problems with all the skill and judgment he can command.

X. The world-minded American acts to help bring about a world at peace in which liberty and justice are assured for all.

Many Americans have already so marked themselves; but the National Education Association would mark them all alike in the gristle, beginning with it in the elementary schools. Thus the ultimate effect may be guaranteed. That, it thinks, is what education is for. It says:

Education for international understanding involves the use of education as a force for conditioning the will of a people.

Mark No. VI will be certainly the one most difficult to imprint. Many parent minds will resist it, and even in the elementary school grades young minds may be found somehow to have received sentiments of unlimited national loyalty. "Nationalism," says the National Education Association—

"is a product of the modern period and of the nation-state system. It is a feeling of loyalty to one's nation-state. Loyalty to one's family, to one's local community, to one's own group seems to develop naturally when the contacts are agreeable to a person. An extension of that loyalty to a larger area, such as a nation, has been attained by the adoption of patriotic songs, setting aside national holidays, teaching the greatness of the nation's heritage, use of a uniform language, and establishment of schools where the youth are taught patriotism and their duties to their native land."

The National Education Association finds that in man's political history nationalism has had its work to do and it was very important. Nevertheless, the "nation-state system" which "has been in existence for about three centuries" has failed to establish peace in the world, and now we must face the fact that:

"Enduring peace cannot be attained until the nation-states surrender to a world organization the exercise of jurisdiction over those problems with which they have found themselves unable to deal singly in the past. If like conditions continue in the future as in the past,
like situations will arise. Change the conditions, and the situations will change.”

The National Education Association, therefore, takes a strong position against unlimited national sovereignty or unlimited national loyalty. The word unlimited is important. The National Education Association concedes that:

“Nationalism and patriotism are not necessarily evils in themselves.”

The objection is not to “nationalism per se,” but to:

“an excess of loyalty that becomes a blind unquestioned assumption that one’s country and all concerning it is best, is always right and that its actions can never be questioned. . . . It could be argued that even a blind loyalty to one’s own country, right or wrong, might not have serious consequences for the peace. This might have some validity were it not for the fact that in the world today each nation has a freedom of action that is legally unlimited except for such self-limitations as may have been imposed, and even in this case there is nothing that can actually prevent a state from disregarding completely any self-imposed limitation on its action. Irresponsible nationalism thus becomes a threat to peace because it generates a type of state action that recognizes no control—except that of other states, which in the absence of any collective procedure of control means the possibility of world war.”

Finding in himself sentiments of excess loyalty to his own country, a student who has been properly indoctrinated with world-mindedness would sometime think to ask himself how he got that way. “Then,” says the committee—

“he may profitably apply the process of self-analysis to the problem: ‘How I acquired my sentiments of patriotism for the United States.’ Statements on this topic will illustrate the contributions to sentiments of national loyalty made by home, church, school, newspapers, holiday observance, the flag and other symbols, music and radio programs. After a summary of such statements, it would be a natural follow-up to discuss some such topics as: ‘What can be learned from methods of developing national patriotism as to means for building world-wide loyalties?’”

When by this process he has arrived at a feeling of loyalty to the world he may consider himself a world-minded American, equal to the highest mark, which is mark No. IV. The new education has at that point achieved its purpose, which is to inculcate in him a concern for other people comparable to his natural concern for his own people.

This concern, says the committee, “is a humanitarian concern for all mankind. The overreaching concept is the brotherhood of man.” Nevertheless, it may turn out to pay, for, says the committee:

“This humanitarianism is dynamic in that it is a combination of altruism and enlightened self-interest, a sentiment that motivates action and which is fully aware of the role it has played and can play in world affairs.”

The National Education Association finds that “a capacity for empathy” may begin to be developed very early, even in the third grade. It tells the result of “a study of Russia” by a sixth grade group in Minneapolis. After the study the children wrote out their thoughts on Russia, and one of them said:

“After studying our unit on Russia my way of thinking has changed. In the beginning I felt that this was a country far away with different people, different thoughts, and different ways of living. Now I feel better acquainted with them and would like to know them better.”

Empathy means to imagine yourself in the other fellow’s boots.

The Meaning of Farm Parity

By Fred J. Lingham

The general understanding of the term “farm parity” seems to be that the government is just trying to guarantee the farmer a fair price for his farm products, as compared with the prices he has to pay for what he buys.

But is that the correct picture? No.

When the “parity” program was started by Congress, why were the years 1909–1914 chosen as the so-called base period? It was because those years had been found to be the most prosperous for farmers in modern history. But after those years were accepted as the base period for “parity” for basic farm products, it was discovered that a later period had been still more prosperous for tobacco growers, and so the tobacco farm interests were able to have this later period accepted as the “tobacco parity” base period.

So, what it all comes down to is that radical farm leaders have asked that the government maintain the prices of farm products on the basis most prosperous to farmers in all modern history. Just think where this country would land if the government undertook to maintain prosperity in all industries on the basis of the period most prosperous in each industry.

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It is hardly too much to say that “farm parity” is one of the greatest pieces of bunk ever imposed on the people of this country—and one of the most costly to the people of the country.

One theory is that the farmers must be subsidized to provide food for the rest of the people.
Yet since the "parity" policy was adopted by Congress, the farmers have actually been subsidized to produce less than they would normally produce. This was, of course, based on Henry Wallace's theory of scarcity, which he and some others in Washington seemed to think would produce prosperity for the whole country.

There is also the theory that has come to be quite commonly accepted by some, that the prosperity of the entire country is based on farm prosperity, even though this artificial creation of farm prosperity means taking money from all consumers and making a gift to the farmers.

The recent election campaign indicated that both parties felt that, in order to hold or secure the farm vote, they must guarantee to the farmer high prices based on at least a percentage of "parity." The figure most commonly used was "90% of parity." Or, in other words, they promised to maintain high prices for farm products, and of course these politicians claimed to be magicians, in that they promised to hold farm food products high, and at the same time reduce costs of living, and the funny thing is that apparently a lot of farmers and consumers believed this magic could be accomplished.

It should be realized as axiomatically true, that a guarantee by the government that the farmers will receive high prices for their products, regardless of the amount they produce, must in the end lead to an enormous surplus, and the radical farm leaders ignore the fact that when that time comes the government must, and will, take over control of farm production, and will tell each farmer just how much, or how little, he will be permitted to grow.

However, an editorial by sound-thinking E. R. Eastman, in the January 1 issue of the American Agriculturist, Ithaca, N. Y., shows that all farmers do not believe in the above. That editorial is as follows:

"Nearly all of the farm organizations, at their annual meetings last fall, have either voted against any government price support at all, or for supports low enough to discourage overproduction.

"In spite of these wise decisions by farmers and their leaders, government officials seem determined to keep government price supports so high that there will be an excuse for forcing rigid crop control regulations on farmers.

"Government crop and acreage controls won't work, because no one yet has learned how to control the weather. When acreage is controlled, farmers just grow more on less ground. The folly of relying on 'planned production' shows up when you compare corn yields of 1947 with those of 1948. Acreage planted to corn in 1948 was less than 9% more than in 1947, yet the total crop yielded 50% more than the previous year.

"There can never be high price supports without controls, which means the sacrifice of personal initiative and liberty. Farmers must choose one or the other.

"Allan B. Kline, President of the American Farm Bureau Federation, said the other day at the annual meeting of the federation—"Let us be a little cautious about substituting the clumsy techniques of government controls for the glorious future of a free enterprise system in this country.'"
MISGIVINGS about science are not new; it is only that in our time they have widened and deepened. If the scientific mind is not on the defensive, one may say at least that its authority in the world has been challenged. Technology, however, has been generally immune, and this for two reasons—firstly, its wonders are visible and logical and represent the practical application of scientific knowledge to the needs of mankind, and, secondly, it may be the last hope of unlimited abundance, freedom and peace. Regard in that light the new American faith, which is that if only technology like our own can be widely dispersed in the earth, especially among the backward peoples, everybody may ultimately become rich and contented. A reasoned attack upon technology itself, therefore, is somewhat of a shock. This you may get from a little book entitled, “The Failure of Technology,” by Friedrich Georg Juenger, a very distinguished and pessimistic German thinker who wrote it in 1939 and hid the manuscript for six years. To read his book with profit you have to let go of everything you have taken for granted and apprehend what he says directly, for he turns everything upside down. As technology evolves, he says, its relation to science changes. Science becomes the servant of technology and “the disciplines of science become the auxiliary disciplines of technology.” He takes as an illustration the science of biology, since biology has identified itself completely with technical progress. The discovery of ferments, hormones and vitamins is scientific of course, yet what they enable technology to do is to act upon the human being as a machine. That is the only way in which technology can regard the human being. The illustration is romantic. Dr. Juenger says:

“We can reasonably assume, for example, that an apple contains a number of substances that so far have eluded the chemist and the biologist. It is likewise quite certain that even if all these substances could be synthetically reproduced in a pill, they could not replace the apple. For the apple embodies a principle that is higher than the sum of its parts. It is not a lifeless preparation, like the substances that have been, or could be extracted from it, but an expression of life that grows and smells and ripens and has fragrance. No doubt the wise thing to do is to eat the apple itself rather than swallow the vitamins which may be extracted from it. And I shall also show wisdom by eating the apple not for the sake of all the vitamins it contains, but because it is an apple. The difference is fundamental, for in the first instance I am acting like a sick person, in the second like a healthy one. In matters of food we act wisely if we avoid the technician wherever we can.”

But that is the least of it. Technology, standardization and the machine, acting together, break manual work down to function, forming a chronological change in mechanical operations. The result of this is that the individual also is broken down to a fragment, and loses a feeling for his tools. This loss of feeling for his tools is owing not to his having lost possession of them but because they are no longer the natural extensions of himself. He does not belong to them and they do not belong to him. His work, therefore, becomes a function only, a function to which the individual cannot relate himself as a human being:

“When we study the typical hand tools, we find that they are adapted to the human body. Shovel and spade are basically nothing but extensions of the digging hand and the digging arm. The hammer is essentially the fist; the rake has fingers. The handles of these tools, their size, their shape express their close connection with man’s body. A good scythe, for instance, and the mower who wields it are perfectly fitted to one another. The meticulous care with which a billiard player selects his cue remains a mystery unless we understand that the one particular cue he chooses from scores is the one which is exactly fitted to his body by virtue of its weight, its length, its taper, and many other qualities. Only if we understand this relationship can we understand why all play, why all work is beneficial, provided that it is appropriate for our body. This congeniality, however, is eliminated to the extent to which the machine penetrates and becomes mechanically autonomous. Work is split up mechanically and dissected into minute time segments.”

From this extreme organization of work comes the revolt of the masses, who in turn have no recourse but to organize. There exists, says Dr. Juenger, a reciprocal affinity between “apparatus,” which belongs to technology, and “ideology,” which belongs to the masses. The proof is that—

“Wherever there is a mass, we shall also find an ideology. The mass needs an ideology, and needs it the more urgently the closer technology approaches perfection. An ideology becomes indispensable because apparatus and organization are not enough, because they do not satisfy the human need for moral support and spiritual comfort without which a man cannot exist. There is no doubt that the efforts of the technician have intensified the spiritual vacuum, that feeling of emptiness, to the same degree that he has constricted the scope of human life. And so the horror vacui, the horror of the void, is part of the technician’s world; in many forms this horror enters into human
consciousness: as a feeling of depression, of boredom, of futility, lack of purpose, nervousness and mechanical restlessness. . . . The masses are running berserk, now in blind, furious enthusiasm, then again in a stampede of terrified panic that drives them irresistibly to hurl themselves blindly and madly into the abyss, just like cattle or lemmings. Those torrential dynamic forces which technology unleashes also sweep along the man in the streets who fancies technical progress to be his own. Technology spells the mobilization of everything which was immobile heretofore. Man too has become mobilized. He not only follows automatic motion without resistance; he even wants to accelerate it still more."

Socialism, in fact, is a surrender to technology:

"The laborer, in his own thoughts, favors the progress of technology and organization. He only endeavors to gain control of them himself, for he cherishes the false hope that in this way he can improve his lot. In other words, his thought is social, more so than that of others. But his socialism, which advances in step with technology, is nothing but an adjustment of his intellect and behavior to the technical work organization.

"The labor organizations spring up wherever laborers reach an awareness and an understanding of the fact that they have become dependent and that they must organize to offer joint resistance. All such organizations are marked by the hatred with which they look upon the unorganized worker, the worker who has not yet grasped the compulsion of mechanical labor and the necessity of surrendering his independence to organization. . . . Their organization into unions is only an expression of the mechanical compulsion to which they are subjected."

Few have ever doubted that technology was economic, meaning by that that it had to pay. The motive was profit. Dr. Juenger says no. Technology has a motive of its own and is essentially uneconomic.

"So far, hardly any attention has been paid to the fact that technical and economic rationalism do not coincide, that they differ in purpose and in aim. The aim and purpose of all intelligent economy—whether of an individual or of a community—is that it yield a profit. But the aim of the technician is technical perfection. . . .

"Technology does not work according to economic laws. It is economic life that becomes ever more subservient to technology. We are approaching a point—here and there we have already reached it—where technological rationalism in production is more important than the profit produced. In other words, technological improvement must go on even if it spells financial loss. This symptom of economic distress is also the sign of growing technical perfection. Technology as a whole has absolutely no interest in dividends and can never develop any. It grows at the expense of economy; it increases economic emergency; it leads to an economy of deficit which grows the more strikingly obvious, the more triumphantly the perfection of technology progresses."

As Dr. Juenger comprehends technology it is an irresistible devouring force, serving not mankind but itself, moving without rhythm to a goal of its own, which is perfection. It destroys money:

"The decay of currency is neither local nor transient. It is a symptom of a certain phase of technical progress. It occurs at the precise moment when the financial needs of the technical organization go beyond those limits within which an orderly financial economy can be conducted."

It devours freedom, free will, private property, law, energy and all the resources of the earth, and will at last devour itself because a mechanized state will fall:

"Technology’s striving for power is unbroken. Daily we observe how its spearheads are driving farther, and how its organizations are constantly spreading out. In the course of this offensive drive, relations change between technology and the state. The state itself is now conceived by technology as an organization which must be brought to perfection, which must be controlled by a perfect automatism. The technician asserts that the state can properly fulfill its tasks only when it becomes organized on a completely technical basis, when the idea of the state and its purpose are organized into a centralized functionalism, an all-embracing machine which nothing escapes.

"But precisely this definition annihilates the very essence of the state. For, indispensable to the state is that which is not state, and can never become state. This something by which alone the state can be a state is the people. The people may well be conceived as the carriers of the state; there are all kinds of relationships between the governed and their government, but never can the people be the state itself. The very idea of the state is null and void once this basis collapses wherein the state is built. The technical organization of the whole people to the point where no sector of life remains unorganized, in the end brings the downfall of that state."

It is a frightening thesis, with no solace at the end—no therefore-it-behooves-us. If Dr. Juenger knows what to do about it, he does not say what it is. He makes his case and there it stands. Do with it what you will. This he was obliged to do because, as he would know, man now lives by technology. Though he were sure it would in time destroy him, still he could not bring himself to destroy it, for if he did something like half the life now existing in the world would perish. So he cannot go back. The book, therefore, belongs to the literature of nostalgia. If only the world could be again a simple place, as it was before technology, with fewer people in it!—

G. G.
The Socialistic ITO Charter

Many economists have been extremely annoyed by Philip Cortney. To the planners his name is anathema. He is an industrialist who transplanted himself from France to this country and has spent a great deal of time exploring economic and social phenomena in his own way. He is well known for his formidable and exasperating letters to the bureaucratic experts. From the muzzle of his *book, entitled, "The Economic Munich," missiles fly in every direction, mowing down fallacies right and left, hitting the problem of Great Britain in the stomach, making holes in the accepted diagnosis of the Great Depression, and so on to a long list of casualties; but most of all he attacks the Charter for the International Trade Organization which was signed by 52 countries in Havana and will soon be coming before Congress for approval. It is a painful thing for him to do, for at heart he is an ardent internationalist and hates to find himself keeping company with nationalists and isolationists, all of whom, he thinks, object to the Charter for wrong reasons.

His own objections to it are mainly these, namely: (1) that the philosophy of it is Keynesian, which is bad to begin with; (2) that instead of releasing the trade of the world it will restrict it even more, even on nationalistic lines; (3) that it is not what it pretends to be, and certainly not what the Department of State had in mind at first; (4) that instead of dealing mainly with trade, "it is encroaching on issues which may change our economic, social and political institutions," and (5) that it is socialistic in principle, and therefore hostile to the spirit of free enterprise. While it is true, he says,

"... that the Charter establishes in principle the 'objectives' of free, nondiscriminatory multilateralism, in fact it constitutes a license for the extension and perpetuation of nationalistic trade policies. At the time the discussions on the Charter began it was evident that the postwar circumstances had made impossible the sudden elimination of all existing restrictions in international trade. Therefore it was recommended that, like in the International Monetary Fund, the conception of a 'transition' period be adopted, for the duration of which various restrictions and regulations would be admissible, even though they conflicted with the ultimate objectives of the peacetime world economy. Unfortunately, the notion of a transition period has not been adopted and, therefore, the exceptions to sound principles become in the Havana Charter a permissible rule of conduct at all times.

"The State Department is right in asserting that the ITO Charter makes it possible for state socialism and free enterprise capitalism to work together, but at a price. The price is restriction of international trade, discrimination and undermining of the free enterprise capitalism."

Mr. Cortney thinks the Charter's approach to the problem of full employment is economically fallacious, socialistic in theory, and bound, if pursued, to lead to disaster. Full employment is an American concern, too, but whereas in this country the acceptable solution must be one that is "compatible with a free competitive system," the European idea of a solution—the idea now embedded in the Charter—looks to artificial means. In the socialist language of Europe:

"Full employment is an end in itself, and jobs are to be made available whether or not they contribute to production and exchange, and regardless of political and social consequences. ... In the socialist concept of 'full employment' lies one of the main dangers to our free society. A socialist 'full employment' policy (and its corollary, a perpetual boom) will not be able to avoid abnormal monetary inflation and persistent balance of payment difficulties and exchange controls."

In the original proposals of the State Department entitled, "Suggested Charter for the ITO," full employment was regarded as a happy consequence of expanded world trade and not otherwise dealt with specifically. The London Preparatory Committee, acting for the United Nations, which made the first revision of the Charter, thought of full employment as an end in itself and wrote it into the Charter that way. Afterward, reporting on its own work, the London Preparatory Committee said:

"The Preparatory Committee considers that governments owe a responsibility not only to their own citizens but also to the citizens of other countries to do all that is within their power to maintain full and productive employment and high and stable levels of demand within their own territories. A decline of demand in an important country, by reducing its imports from other countries or by causing a burdensome surplus in world markets of commodities, which it was previously producing for its own consumption, is liable to lead to the spread of unemployment or underemployment outside its borders. For this reason governments should agree to take action designed to achieve and maintain full and productive employment of their domestic labor and high and stable levels of effective domestic demand."

Under the head, vaguely, of "balance of payment difficulties," the Charter says that when a debtor nation is in trouble, owing more than it can pay, the

creditor country (meaning generally the United States) shall make its “full contribution” toward a correction of such “maladjustment.” There has been much discussion of what “full contribution” would mean. The London Preparatory Committee’s interpretation was that the creditor nation shall penalize itself by adopting the following measures:

“Stimulation of imports or the removal of special encouragement to exports, an appreciation of the country’s exchange rate, and upward revision of its internal price and cost structure, an increase in foreign investments, etc.”

Now, asks Mr. Cortney, how shall a country like the United States, unless it too becomes a planned economy, bring about an “upward revision of its internal price and cost structure”? “The ITO Charter,” he concludes, “is an extraordinary illustration of the power of ideas. It also proves that wrong ideas beget still worse ones, and that, if they have a chance, they will chase right ideas out of the minds of the people just as bad money chases good money out of circulation.”—G. G.

**Revolution Within the Law**

In the great classic on government, Aristotle speaks of the paradox that while the ancient laws remain unchanged there may be “brought about a revolution in the state.” A new government with a new meaning but all within the form of the old one. And that can happen.

Fifteen years ago when first it was seriously proposed that we should have in this country a planned economy, in place of the old free economy, people thought they were discussing a revolutionary thing. The difference between a planned and a free society, they supposed, went to the roots of the American tradition. Now the President speaks of a planned economy as if the idea were one that had been generally accepted, and in this he is justified by the fact that there is already so much planning and that only further degrees of it remain to be debated. The government now assumes the responsibility to maintain full employment, to keep the whole economy in a state of equilibrium, and to see that the annual product of wealth shall be so distributed as to guarantee for everyone a high minimum standard of living. But this requires planning—basic planning.

In that short time the philosophy of government has changed in a radical manner. Yet not one line of the Constitution has been rewritten—and the Constitution is the supreme law of the land. Aristotle’s paradox has been realized. The ancient laws remain the same but there has been brought about a revolution in the state. How did it happen? For the answer to that question you may read: “The Supreme Court and the Capacity To Govern,” by Vincent M. Barnett, Jr., in the September number of Political Science Quarterly.

Until fifteen years ago the Supreme Court, continuously from the beginning, had interpreted the Constitution to uphold “a political conception of the laissez faire state,” or “the philosophy of the passive or negative, or at the most the umpire state.” But now, says Professor Barnett:

“The fact of the positive state—the state which consciously and purposefully makes economic decisions best left in private hands under earlier theories—is with us. The fact of a system of Constitutional law countenancing such actions is also with us. This means that an important shift in basic political attitudes has taken place, or, better, culminated in the past decade or so. Such a shift has brought about a wide effort at reshaping ideas about democracy, individual freedom, the Constitution, and the role of the Supreme Court as the official expositor of the nature and reach of basic governmental authority.

“The Constitution as now interpreted by the Supreme Court clearly provides the necessary legislative power to undertake any degree of economic planning that is likely to prove politically feasible in the foreseeable future. This is a broad statement and, if true, an extremely significant one. For it means that the emphasis in discussion of these problems will have been largely shifted, from the question of whether the power exists, to that of the ends for which it shall be exercised and the manner in which it shall be used.”

During the 1930’s the Supreme Court began a process which might be called the transfer of the doctrine of laissez faire from enterprise to government. In the economic sphere, any act of Congress or any act of a state legislature was presumed to express the will of the people. On that ground the Court began to restrain its impulse to interfere. Justice Stone said the Constitution has “no more embodied our preference for some particular set of economic beliefs than it has adopted, in name of liberty, the system of theology which we happen to approve.”

Once this had happened to the mind of the Court the practical consequences were that for the legislative principle in general there was a release, a new freedom, while at the same time for enterprise there were new restraints upon freedom. And from this it followed rationally that the Supreme Court would be obliged to take a much more liberal view of administrative agencies and administrative law, on the ground that this development of government had come about through exercise of the legislative
will. There had been administrative agencies before, but during the 1930s Congress created new ones in bewildering succession and invested them with legislative, judicial and executive powers. They could investigate, prosecute, pronounce their own verdicts, and then issue rules and regulations having the force of law. Always before the Supreme Court had been very severe in reviewing the work and findings of an administrative agency, under the due process clause of the Constitution, looking not only to the law, but to the procedure and the conclusiveness of the facts. Now it began to strain the due process clause in reverse. More and more it was inclined to find reasons for supporting the administrative agency’s work, declining to review the facts, and saying that a finding of the administrative agency was final when supported by “substantial” evidence—not necessarily conclusive evidence.

Justice Frankfurter said:

“When we consider the limiting conditions of litigation—the adaptability of the judicial process only to issues definitely circumscribed and susceptible of being judged by the techniques and criteria within the special competence of lawyers—it is clear that the due process clause does not require the feel of the expert to be supplanted by an independent view of judges on the conflicting testimony and impressions of expert witnesses.”

Justice Jackson said:

“The creation of these fact-finding tribunals has been one of the significant legal movements of the twentieth century. . . . The administrative fact-finding tribunal has been the heart of nearly every social or economic reform of this century. Workmen’s compensation systems, regulation of railroad and utility rates, the Securities Act, the Labor Relations Act, and many other regulatory plans would fail if the administrative body charged with enforcement could be smothered in litigation.”

And to this Justice Douglas added:

“Effective control calls not for the slower and heavier method of judicial decision but for the more subtle and more sensitive control of daily administrative action. This is not to say that studied efforts should be made to prevent parties from having their rights established by the courts of the land. Rather it means that adequate and effective methods of administration have never been and can never be fashioned through the judicial process. . . . The battle will be lost through the fearfully cumbersome and indirect processes of the courts, even assuming judicial approval or indulgence.”

Thus the rise of the administrative state, and with it a body of “constitutional law” created by interpretation which will accommodate a planned economy—and not a word of the Constitution changed.—G. G.

**Hybrid Economy**

By description and exact definition we arrive at distinctions, and the ability to make distinctions is the beginning of comprehension. For example, the word economy now is very fluently used, not in the old meaning of frugality, but to mean the frame of all those activities by which a society creates and distributes its wealth. Thus we speak of the American economy or the British economy. But that is not enough.

These activities are framed in different ways, each according to a kind of social philosophy, and so we speak of a free enterprise economy, a socialist economy, a communist economy, or a mixed economy, without knowing always what the essential differences are. Certainly it seldom happens that two or more persons using the same words mean precisely the same things.

What is a mixed economy? The President’s Council of Economic Advisers says it is an economy that is neither planned nor free, whereas the President himself refers to it as an economy that is planned but not controlled. All the more important, therefore, is a brochure entitled, “Economic Systems,” by Harold G. Moulton, President of The Brookings Institution.

Four systems are distinguished here, namely, the one we call the free enterprise system, which is private capitalism; then communist, socialist, and hybrid systems.

A free enterprise system is one that relies for its driving force upon the power, inventiveness, and imagination of the individual, whose right to earn profit from privately owned property is indefeasible; the regulating principle is competition, and the government’s part is to see that competition is fair, to keep prices and markets free, to restrain and regulate monopolies, and hardly anything else.

The extreme opposite is the communist economy in which private profit and private ownership in the tools of production are abolished; a central bureaucracy plans everything and makes all the economic decisions; in the name of the people the state owns everything; the driving force is the will of the bureaucracy that governs, and the good of the individual is sacrificed to the good of society as a whole. What is good for society as a whole will be determined by a few at the top.

In between comes socialism, which, “unlike communism,” says Dr. Moulton, “emphasizes the free-
dom of the individual member of society,” and “is opposed to dictatorship.” On the other hand:

“It resembles communism in contending that labor produces all economic goods—either directly, or indirectly through tools and machinery previously made by labor—and in attacking the perennial exploitation of labor by capital. But instead of violent methods to achieve the goal and ruthless stamping out of opposition it looks to an evolutionary, gradual transformation of society by orderly processes. Its central objective is public ownership and operation of selected industries rather than a comprehensively planned and coordinated economic system. It would substitute social ownership and democratic control of industry for the principle of private profit.”

Fourthly, there is the hybrid system, more commonly called the mixed economy, which Dr. Moulton defines as a form of economic organization partly free and partly controlled by government; and that is the kind of economy that began to develop in this country under the New Deal:

“Instead of a completely centralized domination of economic life by government—as under communism, fascism, and nazism—and instead of government ownership and operation of selected industries, as under state socialism, the new American philosophy conceived that the function of government should be to control the operation of the economic system. Individuals would still be free to own and operate whatever type of business enterprise might seem to offer the best hope of profit, and private enterprise and competition would be depended upon to furnish the spark and driving force for technological advancement.”

In the development of this hybrid American economy two phases appear, first the Roosevelt phase and then the Truman phase. And so far as the old free enterprise economy is concerned, the Truman phase, Dr. Moulton says, is more deadly than the Roosevelt phase. Of the Roosevelt phase he says:

“The virtues of individual freedom were extolled, and the advantages of competition were emphasized. Consumer choices in free markets and the price and profit mechanism were in the main relied upon to guide the allocation of productive energies. The goals were the curbing of monopolistic and other alleged abuses of large-scale business, the supplementation of private by public enterprise in neglected fields, the promotion of permanent prosperity by raising the incomes of the masses and lowering the incomes of the classes, and the control of the business cycle by means of fiscal and monetary policies.”

As it went on, however:

“. . . price floors were established for the protection of producers in agriculture and the bituminous coal industries. Prices for most important farm products were not allowed to fall below certain levels; and hence oversupply could no longer be corrected by declining prices. Instead, the government sought to induce essential shifts by means of ‘benefit payments,’ which were cash inducements to grow more of certain products and less of others. This support program was financed largely by the consumers of the cities, who paid higher prices for foodstuffs and higher taxes besides. Since farmers as a class got more income than they would otherwise have received, there was less pressure to shift from agriculture to other fields. The sick bituminous coal industry—subject to increasing competition from other fuels—was propped up by minimum prices, adjusted upward as wages advanced. The competitive position of coal in relation to other forms of fuel was further weakened by this process.”

Still more to effect the free economy was:

“The policy pursued by the government with respect to labor. The right to organize and bargain collectively through representatives of their own choosing was properly guaranteed to labor by the National Recovery Act. In its desire to raise wage rates, the government sought to strengthen the bargaining position of labor, in what had too often been a one-sided contest, by encouraging the organization of labor on an industry-wide basis. The outcome in numerous industries was the creation of virtual labor monopolies. With labor in a position to shut down whole industries producing essential commodities or services, the quick settlement of wage controversies was imperative in the public interest; hence the government was obliged to play a positive role in effecting agreements.

“In view of the administration’s commitment to the policy of progressive increases in wages and the need for political support, its power was naturally exerted in favor of substantial wage advances, irrespective of the merits of the controversy. Wage negotiations were thus transferred from individual companies—first to the industry as a whole and thence to the realm of national politics. Henceforth wage negotiations were largely unrelated to economic realities—which reside in individual companies.”

It was in the Truman phase, however, that the government for the first time in peace attempted to control the very vitals of private enterprise.

“The Truman administration, as it faced the problems of postwar readjustment and reconstruction, possessed a vast control mechanism that had been developed to meet the requirements of war. It elected to retain a substantial part of this machinery, notably that pertaining to the allocation of materials and the regulation of commodity prices. Ostensibly these controls were to be retained only to guide and stabilize the economy during the period of transition, but there were many within the administration who were interested in their permanent use. Moreover, after these controls had been abolished and the transition from war to peace production had been accomplished, the President has periodically requested their restoration as the only
means of checking inflation, preventing business depression, and maintaining full employment.

"The basic policy of the government was to maintain national purchasing power at virtually the wartime level, in order to ensure the maintenance of abundant employment."

It is Dr. Moulton's conclusion that a hybrid system, which necessarily entails control of prices and profits, is one that cannot endure:

"Wartime experience in this and other countries demonstrated the impossibility of controlling industrial prices without controlling wage rates and agricultural prices—basic elements of cost. The problem is no different in time of peace. But, since in time of peace the control of wage rates is a practical impossibility in a democratic country, prices cannot be stabilized if conditions are conducive to sharply advancing wage rates.

"Assuming that the system could be effectively administered, prices and profits would not be allowed to rise in industries whose products are in high demand by consumers, and thus an expansion of production in such fields would not be induced. Similarly, the maintenance of existing prices in industries whose products are in low demand would serve to check the shift out of such industries. Not only would consumer choices cease to be effective in guiding production, but the government itself could not adjust prices in line with consumer desires because of the powerful opposition of vested interests who want the government to prevent readjustments adverse to themselves.

"In the absence of a functioning price and profit mechanism, the allocation of productive effort would thus have to be made directly by the government. With the vital decisions thus taken out of the hands of business enterprisers, the incentive to assume business risks would be destroyed."

If a mixed economy will not work, or will not work for long, what is the alternative? Does it follow that for the disabilities of partial planning the remedy is complete planning—a central control of the entire economy by government? Dr. Moulton does not think so, because, for one reason among others, "a controlled economy is incompatible with the American form of government." Then he says:

"Our conclusion that such a system cannot succeed and cannot endure does not compel us either to turn to communism or to return to completely unrestricted private enterprise—laissez faire. It remains possible to maintain a system of government regulation which establishes certain 'rules of the game' and sets certain acceptable standards of performance, without assuming the vital functions of business management or destroy-

ing the essentials of the competitive free enterprise system."

What has happened to regulation? The original idea of regulation was that it should correct the evils and weaknesses of a free competitive system, but it went on to assume vital managerial functions, to a point in which, as a typical result:

"The railway managers are deprived of the right to use their own judgment with respect to such important functions as: lowering rates in order to attract traffic from other roads and other agencies; developing feeder, rail, truck, bus, or water lines; abandonment of unprofitable spur or branch lines; and borrowing money for any purpose, including refunding operations to save interest and the sale of equipment trust certificates for purposes of improving operating efficiency. The necessity of obtaining approval from a Commission overburdened with a multitude of cases requiring time-consuming hearings, and often reluctant to render a decision until all doubts have been resolved, commonly renders prompt action on the part of railroad managers impossible. About the only functions left completely to private management are the scheduling and operation of trains, personnel management, and purchasing."

The kind of regulation Dr. Moulton means would:

"be confined to the checking of collusive efforts to eliminate competition. Any attempt to prevent one company from growing at the expense of others is a negation of the very object of competition. Any policy of limiting size or curbing anticipated or potential developments renders it impossible to establish rules of the game or set standards, and thus seriously impedes the effective functioning of a private enterprise system. . . .

"If the function of government is confined to the elimination of monopoly and the punishment of collusive efforts designed to restrict or destroy competition, the creative power of private enterprise, which has been responsible for the extraordinary industrial achievements of modern times, can be preserved. Such a method of regulation, in contrast to communism, socialism, and hybrid systems of control, would ensure the preservation of individual liberties."

What we had was a free economy. Beginning with a wilderness here, it created half the industrial power now existing in the world, and men still living had grandfathers who saw the first of it. What we now have is a mixed economy, partly free and partly controlled by government, and that kind of economy has no record of success anywhere. What we shall go on with will be determined by the heed we pay to the kind of thing Dr. Moulton is saying.

G. G.
The

Mind of Senator O’Mahoney

The Honorable Joseph C. O’Mahoney, senator from Wyoming, will deeply influence the economic thinking of the 81st Congress. He is chairman of the Joint Congressional Committee on the Economic Report of the President. He has a record. During the second phase of the New Deal he was chairman of the Temporary National Economic Committee, which took the whole economic mechanism apart to find out what made it tick, and produced a mighty document for the archives. The strange doctrine of a finished, or static, economy was then in vogue. In this speech the senator is addressing the New York Security Dealers’ Association, on “The Preservation of a Free Economy.” It gives a fairly clear reflection of his mind.—Editor.

President Truman is guided by a firm purpose to lead the world to peace. He knows that cannot be accomplished unless we maintain a prosperous and stable economy here at home.

One fact stands out—neither the world nor the United States can afford another depression, and it is the solemn obligation for statesmanship in business and in government to make certain that such a catastrophe is avoided.

Certainly if ever there was a time for clear thinking, it is now. If there ever was a time for statesmanship in business and in government, this is it. What we think and say and do must be viewed against the background of world events. Nothing that we can say or do can have the slightest effect except within the structure created by the world problem which, reduced to its bare bones, is the struggle between communism and democracy, between the philosophy of those who would have the economic affairs of the people managed for them, and the philosophy of those who believe that these affairs must be managed by the people themselves.

I have no hesitation in saying that the people of the United States have accepted the destiny of this country to play a decisive role in world affairs for the preservation of individual freedom and real democracy, and that in domestic affairs they are committed to working out a program of social and economic progress with emphasis upon the humanitarian rather than on the mere administrative objectives.

If this be true—and certainly it is true, witness our bipartisan foreign policy and the declaration of all political leaders in the recent campaign of their devotion to social progress—if this be true, I say, then clearly we must measure every political and economic proposal by the effect it has on the power of the people to control their own political and economic destiny.

We have a world problem only because the power of the people to control their own affairs has been undermined in our time. It has been undermined by the concentration of both political and economic authority, but we shall not begin to understand the significance of the events of which we are a part unless we realize first of all that the concentration of political power in totalitarian government has always been preceded by concentration of economic power. The rise of Hitler would have been utterly impossible if there had not already been erected in Germany a concentrated economic structure that he was able to take over by a wave of the hand. The concentrated arbitrary power of Lenin and Stalin was erected only upon the foundations of the old concentrated economic power of the czars and their nobles. The people of Russia did not direct the old regime any more than they direct the new regime now. The change from the czars to the Communists was merely an exchange of dictators.

The Habits of Freedom

World War II was a struggle between the peoples of the democratic nations of the world who believe that the people should control their own destiny, and totalitarian dictators who wanted to turn back the clock of progress by reestablishing arbitrary central power in the world.

As a matter of self-preservation, the Communist dictators aligned themselves in that struggle with the democracies. We thought during the war that after victory they would see the value of democracy, but we are now learning they are quite as steeped in their totalitarian ideologies as when, before they were attacked, they had made common cause with Hitler. The war was won for democracy because the habits of freedom had made our armies and navies and air fighters more resourceful, more competent, more effective as individuals than were the regimented hordes of the dictators. We know perfectly
well that the capacities of the fighting men of America were not measured by their origin, their calling, their social or economic status. Whether they were recruited from the ranks of labor, the ranks of management, agriculture, business, or the professions, their competence was the result of the fact that they were the products of free institutions. Surely we have seen enough to know that the future progress of all the races of men depends wholly upon the degree to which the opportunities of freedom are extended to the peoples of all nations.

This, then, is the background against which we must view the economic problem in America. This is the background against which we must examine the plans and purposes of business as well as the plans and purposes of government.

A Structure of Opportunity

I undertake to say to this group that despite all the slogans of the political campaign, there is no purpose among the members of your government, whether they are in the executive or the legislative branches, to establish in the United States a police state. The time has come to take off the blinders of mere partisanship, of mere factionalism, and to look at facts exactly as they are. When this is done, we shall have much better eyes to appraise our problem and to see precisely where we want to go.

We shall find the solution of our difficulties not in punitive action but in constructive action, not in the punishment of alleged or, indeed, of real offenses but in the framing of an economic structure that will protect an expanding economy of opportunity against the restrictive and deadening influences of economic concentration. I undertake to say that the difficulties in which the security dealers find themselves at the present moment are not due to any deliberate plan upon the part of any person or any group to create such a situation, but solely to the fact that we have not understood the forces which have been drying up the flow of investment capital and making difficult the establishment of new free, competitive enterprise.

No one knows better than the members of this organization that comparatively few investment houses have for years been doing the bulk of the security business. This was made clear during the study of the Temporary National Economic Committee. It is equally clear now. During the period from January, 1934, to June, 1939, six New York City firms handled more than 57% of all security issues. During the period from January, 1938, to April 30, 1947, the percentage fell off slightly. There were more issues, but the same six firms managed more than 51% of the total.

The fact that the percentage of concentration fell off in the more recent period and that the number of issues increased shows that there has been a slight gain, and that all the talk in Washington during the past sixteen years about economic freedom has not been wholly without avail. At the same time there has undoubtedly been a steady increase in the area of private placement by financial and insurance institutions. I do not cite these figures as evidence of any direct purpose among investment bankers to promote or to retard concentration. I cite them only to illustrate the cold facts and to indicate that if it is desirable to bring about a broader distribution of this type of business the time has come for us to understand the forces which of themselves promote concentration even without any planned purpose on the part of any group.

What I desire to call to the attention of this group is that neither in business nor in government has there been a clear appraisal of the differences between little business and big business, nor does the public understand the degree to which big business has come to dominate the entire economic and social scene.

They Seek Protection

The government in Washington has expanded, not because of any plot upon the part of any member of Congress or of the executive to increase federal powers, but because the progress of economic concentration in the field of big business has turned the attention of little and local businessmen all over the country to Washington and to the government as a source of protection and of necessary capital.

It was clearly shown during the studies of the Temporary National Economic Committee that the savings of the people through banks and insurance companies flow into the financial centers where, under central management, they are available, practically exclusively, for the use of big business.

The head of the greatest insurance company in the country testifying only last week before the Joint Insurance Committee of the New York State Legislature, pointed out that more than $14 billion of the total of $37 billion in insurance issued by his company is supported by weekly and monthly premium payments of less than $10 a month. More than one third of the insurance policies issued by this company are carried by individuals in the lower income brackets who can afford to pay their premiums only weekly or monthly, and whose pennies flow from all parts of the country into the central reservoirs of investment here in New York City.
Thus it was that the pennies of the poor built the Empire State Building and Rockefeller Center.

The head of another great national insurance company with its head offices here in New York City told the Temporary National Economic Committee almost ten years ago that his company was not interested in a loan of less than $250,000 and, as I recall, that it would prefer not to be bothered by loan applications for less than one-half million dollars.

That is understandable, of course, when one considers the annoyances of the detailed work necessary to serve the small loans which little business wants, but it also illustrates why the demand is continually rising from all parts of the country for government loans to little business. The people turn to government for action only when the service they need is not provided for them by the institutions which exist. So, Congress is constantly under pressure, not from any radical group, not on the part of any advocates of a police state, but upon the part of the people themselves to provide, through RFC or otherwise, sources of government capital to supply the need which the expanding economy of the country demands but which is not met by the loaning institutions we have.

The dispatches from Hollywood, Fla., tell us that at the meeting of the Investment Bankers' Association there this week the retiring president, Mr. Julian H. Collins, declared that there is still opportunity for a thriving private business for resourceful and aggressive firms in spite of what he called the persisting drift toward socialism in the United States. I say to you that if there be a drift toward socialism it is due to the fact that industrial and business statesmanship has not yet looked at facts as they are and has not clearly appraised the conditions which are promoting the drift toward centralism.

More than that, industrial and financial leaders sometimes seem to give more concern and attention to things they fear may happen than to the things which are taking place under their own noses. The Washington correspondent of a well-known insurance journal came to me during the hearings on business profits and showed me a telegram from his editor directing him to interview me and get a good story on the legislation to provide federal regulation of insurance which, the editor told him, I was busily engaged in preparing. There was not even the slightest basis for the report, and the message was the first and only knowledge I had had about my alleged activity. This is another illustration of the wisdom of the remark made a few years ago by a very competent lawyer of the far west, who said, "The worst things in life seldom happen."

If, instead of planning defenses against things that are not happening in government, business and financial leaders would devote their attention to the things that are happening in business, better progress would be made all along the line both in government and in business. This would be particularly true if business leadership would devote itself to a constructive campaign for the preservation of the free enterprise system, in which it professes to believe, from internal dangers.

Now let me turn to the amazing fact that out of a total of 3,316,000 business firms and persons engaged in business in the United States in 1939 employing 28,707,500 persons, 26,900 firms, less than 1% of the total, in fact only eight tenths of 1% of the total, employed 15,955,700 workers, or 55.6% of all. In other words, all the business firms in the United States employing less than 100 persons, though they constitute 99.2% of the total, actually employ only 44.4% of all the workers. More amazing, the 4,900 firms, each of which employs 500 or more workers, though they constitute one tenth of 1% of the total, employ 46% of all workers.

These are not my figures. They are not the figures of any New Deal propagandist. I have taken them from page 25 of the study on "Small Business: Its Place and Problems," written by Dr. A. D. H. Kaplan, of the Brookings Institution, for the businessmen's Committee for Economic Development and published by McGraw-Hill, the New York publishers, who, by no strain of the imagination, can be called propagandists for the police state. They show the degree to which economic concentration has already advanced and is continuing to advance.

"Most Significant Fact of our Time"

This is the most significant social and economic fact of our time. The little firms, the little businesses, see the savings of the communities in which they live siphoned off into the big city reservoirs of capital where they are available, not for the free, independent developments of the communities in which these savings were earned, but for distribution to the big-business enterprises which finance their capital needs either by loans from the huge fiscal institutions of New York or from some government agency.

So I say to the investment fraternity, don't blame the politicians for the growth of big government. Blame yourselves, because you have not taken the initiative to provide the capital which a growing free economy demands; nor have you taken the necessary steps to protect little business from being overwhelmed by centralism. If you permit the free economy to starve for lack of private capital, don't
independence. It is idle to talk about states' rights to define all these powers and responsibilities. I feel no hesitation in saying to you that neither President Truman nor any responsible leader of the Democratic Party in Congress, nor, for that matter, any member of Congress, wants to expand the power of government for the mere sake of building up an all-powerful state. The federal power grows merely because in the modern world with modern technology and the modern corporate system, the concentration of economic power proceeds relentlessly with the inevitable result that the people turn to Washington for relief. Unless we learn the solemn fact that economic concentration is but the prelude to political concentration, we must be prepared for that eventuality.

Over and over again during the past 15 years I have expressed the personal opinion that the preservation of the capitalistic system depends upon our recognition of the characteristics of the modern corporate system as it has developed. It is the dominant social and economic institution of our age. It is necessary enough. Without the modern corporation, we couldn't possibly develop and use the tools this new age demands, but it is the instrument through which we have permitted economic concentration to proceed.

The Drift Toward Centralism

I talk about the degree to which economic power has been concentrated in the hands of a few managers, but by that I do not mean and never have suggested that big business should be broken up. I do say that we shall not be able to prevent this continued drift toward centralism in business and in government unless we make up our minds definitely to define by federal law the powers, the authority, and social responsibility of the corporation that does business in the field of interstate and foreign commerce, the regulation of which, by the Constitution of the United States was committed to the Congress of the United States, for otherwise, the position of little business will become steadily weaker and the power of government greater.

Though I have introduced a bill in Congress after Congress to provide for federal charters, I do not pretend to say that any single person is competent to define all these powers and responsibilities. I feel
that it is highly desirable that there should be a conference of business experts, of corporate-law experts, of consumers, of farmers, and of workers—called by authority of law—to study this problem and to present to Congress its recommendations for a national charter law. We need an economic constitutional convention now just as much as our predecessors after the American Revolution needed a political constitutional convention.

You have seen the flow of savings become steadily more institutionalized. You have seen private placement and investment bankers and savings institutions dry up the “free market” for money, and I wonder whether, like most of us in government, you are not overlooking the greatest new source of money seeking investment. Full employment in our time has created a new reservoir for risk capital in the savings of the people in the lower and middle income brackets who are now earning more than they ever earned before.

How many of us realize that the total amount received in income during a single year by taxpayers under the 1948 tax law who receive an annual income of less than $2,000 is more than three times as great as the aggregate sum received by every income recipient in the United States whose annual income is over $25,000. The millions in the under $2,000 group receive a total of $33.3 billion, whereas all over $25,000 receive only $10.8 billion. Indeed, the total receipts of all individuals with an income of over $10,000 amount only to $19.8 billion, whereas all under $5,000 a year receive a sum more than five times greater, or $103.7 billion.

If business leadership will join with government leadership to protect the investment of these little fellows at the bottom of the economic scale from being wiped out by the operation of economic concentration, we shall then be able to save both the free economy and the free political system which are the traditional ideals of the people.

**How a Boom Dies**

If this inflationary boom levels off by itself, it will be a new experience. The typical ending has been a sudden collapse followed by a rapid deflation, and the collapse has occurred unexpectedly when the business indexes are most favorable. Business sentiment changes some night for reasons and at a time which no one can foresee. Inventories which were comfortable the day before now appear to be dangerously large and orders are canceled. Business plans lose their attractive aspect and are put on the shelf. Production is cut back, workers are laid off, and the deflationary spiral is under way.—Professor John D. Clark, of the President's Council of Economic Advisers.
worker in bad depressions. They are no answer to mass unemployment.

* * *

Economic remedies can come only from two sources: the state or the employer. In a major depression the relief burden is so enormous as to test the financial strength of our municipalities even when given some assistance by states and the Federal Government. Quotations on their bonds tumble, marketing of fresh issues is difficult, and a major fear is thrown into timid financial interests and holders of state securities, adding to the difficulties. Obviously this way is bad. Always it is accompanied by widespread attacks on employers, who are considered either derelict in their obligations and duties, or, under the capitalistic system, unable to meet the needs of the people.

Industry itself should find an answer to this problem—difficult as it is; and if industry will endeavor to assume the responsibility we shall have directed toward its solution the brains of all those best qualified to handle it successfully. To leave it to politicians and bureaucracy is to invite the controls that ultimately destroy democracy and freedom of the individual.

* * *

Mass unemployment results of course from a panic, characterized by overproduction, underconsumption, and fear. The primary factor is fear. It speeds the fall and deepens the depth to which business sinks. Employers reef sail, employees get worried, consumers curtail spending, forecasts by economists and gossip confuse everyone. Suspicion replaces confidence and faith. Fear converts a recession into a depression and finally into a panic.

But the bare facts are that 147 million people must still go on living—eating, wearing out clothes and everything else, amusing themselves and spending their energies, not fast and furiously, but steadily every day. And so there is still enough business to be done if regulated with a little more common sense and uniformity, plus optimism, which every employer must have had at the time he decided to become an employer.

Democracy essentially is freedom of the individual. To buy or not to buy is but an expression of human emotions. Few can guess the emotions of 147 million people, except when they move more or less as a herd. When enthusiasm moves them to buy, supply will be somewhat less than demand, prices will rise, production will be stimulated. Then if there is overproduction, or if for any reason the buying impulse weakens, there will be a surplus of goods, prices will fall and layoffs will begin. Unemployment and employment are the alternate effects of this buying pendulum. In an economy like ours, where we have freedom of the individual, fluctuations are inevitable and recessions are to be expected. Human nature is fickle and emotional. We can't change these, but we can put a check to the swing of the employment pendulum in industry just as we have put a floor under prices for the farmers.

Suppose that every employer undertook to assure those of his people who have been with him two years or more that they should have at least three days' work a week, no matter what happened. If he had not that much for them then he would pay them for it anyway; or if he couldn't, the city or state would pay it and charge it up to him, to be repaid when business picked up.

* * *

The employee would lose his fear. He would know he was going to have a job and enough to live on if he were careful with his pay check. If the state had not money enough to make these payments, the state's bonds for unemployment would have accounts receivable to back up their payment in part. The cities or states wouldn't go bankrupt. Fear would not become widespread, and so spending would be freer, the decline in business not so great.

Thus we should have double check. On one side it would prevent a depression from becoming a panic. On the other side, this new obligation of industry would tend to restrain the enthusiasm with which production is increased on the upswing. And so the curves would flatten out.

* * *

And where does the employer get off? Is he going to go broke? Can he stand this load? There is no denying that he would have a job to do. There would be a new factor in the business equation to be kept constantly in mind. He might have to re-plan his operations, change his selling philosophy, provide some storage of parts or completed merchandise, and generally give his business more elasticity between production and consumption. He would have to fight to keep at least 60% of his volume. But why not? What is a sales force for? He must hope to get from his customers his percentage of their business and he must be fair to his suppliers to recognize their predicament. If his workmen got only 60% of full work, he would have to see to it that all his pay-roll overhead, from himself down, got only 60% work—at least, only 60% pay. Since everyone in the business eats out of the same barrel, let everyone take the same proportion of the smaller barrel. For 100 years industry has been breaking down the
ties between employer and employee. It's time to start rebuilding some of that old feudal loyalty.

There are twists and turns to this idea, but the job of the executive is to solve problems. I believe he can solve this one even though his industry is construction or machine tools. If the red figure is large for an industry, it means another cost factor to be considered. The consumer ultimately pays. It isn't fair to load a food manufacturer with the unemployement loss of another less fortunate industry. Let each industry figure its own risk and prepare to pay if the business cycle turns against it.

* * *

The idea is to decentralize the load of mass unemployment, which now is left to government and politics. We must not complain if the politician, who is a human like you and me, thinks first of himself and next of industry and its problem of high production which alone raises the standard of living. None of us would like the solution of one government which met heavy unemployment by requiring all large employers to add to their pay rolls thousands who were not needed and could not be used. They were paid regular weekly wages for part-time work or no work at all. Their cost was passed on of course to the consumer in higher prices. Neither would we like the solution of another government which forbids discharge for any cause after one year's employment. Governments are gradually taking more control of business, and this results in decreased productivity or, stated differently, a lower standard of living, and ultimately unrest. Problems are best met by foresight. To wait till the next period of high unemployment to solve this one is to invite confusion in thinking, the intervention of government and probably a stopgap conclusion.

**Booming**

**Toward the New Slavery**

By W. C. Mullendore

President of the Southern California Edison Company

From his Annual Report to the Stockholders

INETEEN hundred forty-eight was another record-breaking year for your company in production and sales, as well as in expenditures both for current operations and new plant. Our plans and program for 1949 call for continued expansion, not only in new plant but also in production and service to meet the demands of old and new consumers.

Again, however, let us beware of the conclusion that either our company, or business in general in the U.S.A., is enjoying a sound prosperity. Because current feverish activity and the resulting increase in the volume of dollars in circulation are so frequently referred to as prosperity, we need to remind ourselves that a considerable part of this increase in business activity has been forced by a wartime and a postwar inflation resulting from debilitating expenditures and fiscal policies of government. These policies have encouraged and made easy a tremendous borrowing from the future for spending in this boom period. The stimulation of production which has resulted is being used as an argument that we are “in our most prosperous period,” and hence can afford to encourage still further wasteful and unearned consumption.

Coincidental with these dangerous monetary policies, the majority of our people have been turning away from self-reliance, and bartering our liberty and our free institutions for government aid and guardianship. Speaking in Baltimore, in April, 1864, Abraham Lincoln said:

“The world has never had a good definition of the word liberty, and the American people, just now, are much in want of one. We all declare for liberty, but in using the same word we do not all mean the same thing. With some the word liberty may mean for each man to do as he pleases with himself, and the product of his labor; while with others the same word may mean for some men to do as they please with other men, and the product of other men's labor. Here are two, not only different but incompatible things called by the same name—liberty. And it follows that each of the things is, by the respective parties, called by two different and incompatible names—liberty and tyranny.”

More and more, our government (in the guise of subsidies, social security, socialized housing and other governmental aids, domestic and foreign) is being used to enable some of our people to “do as they please with other men, and the product of other men's labor.” This is the loss of liberty—the new slavery which threatens all America today. This slavery is rapidly growing and threatening the destruction of the distinctive productive power, energy, initiative and enterprising spirit which has characterized America, the loss of which will impoverish America and deprive our civilization of its best hope of survival.

It would be much more pleasing to you, and to me, if I could send you a message of assurance that all is well and that the current “prosperity” in our country is real and will endure. Believing, however, as I do most sincerely, that a rapidly advancing collectivism beclouds and endangers the future for all of us, I would be remiss in my duty if I should give you an assurance which I do not feel.
Academic Freedom Today*

A Crisis of the Political Body as Momentous as the Reformation

By C. W. deKiewiet
Provost, Cornell University

WHY do we have academic freedom? Does it have limitations? How free is a teacher to express his political views or to seek to realize them by active participation in party politics? In a number of universities and colleges throughout the country these questions have become anxious ones for faculty and administration. The legislature of the State of Washington recently appointed a committee of inquiry—the Un-American Activities Committee—into the alleged Communist views of seven members of the faculty of the state university. There are very few presidents who have not received indignant letters from alumni or members of their governing bodies demanding that some member of the faculty be disciplined because he is a Communist, or a radical, or a too-strident supporter of Henry Wallace.

It is possible to assert that the question with which this article begins is answered by the principle of academic freedom and by the right of the individual in a democracy to speak and act as a citizen without fear of punishment or proscription. To the action of the Legislature of the State of Washington the response in many quarters has been one of resentment and alarm.

IS this the harbinger of continuous political interference in the thought and teaching of our institutions of higher learning on the part of both state and federal political bodies? Must we accept a closer regulation of our political and economic views under the guise of defending democracy and the American way of life? Should not administration and faculty fight to prevent any breach of academic freedom? Should not the president treat with quiet disdain the attempt of an alumnus or trustee to meddle with the academic conduct of the institution?

If we take the stand that our universities and colleges are castles of special privilege separated by custom and professional habit from the workaday world, then we can answer these questions by rote. We can insist that the Legislature of the State of Washington is in the wrong, and that our presidents should snub interfering alumni and trustees as a matter of routine.

If we admit, on the other hand, that the modern university, and especially the modern American university, is a direct and intimate part of its own society, then the solicitude of legislatures and governing bodies, although sometimes ill-informed and often unwelcome, must be expected.

Education costs money which must be voted by legislatures and appropriated by boards of trustees. The earliest colonial legislatures based their claims to a fuller initiative upon the power of the purse. The breathtaking sums that many state legislatures have been asked to appropriate in order to meet the demands of postwar education open the gates of state institutions to influence from the state capital.

Personally, I regret the action taken by the Legislature of the State of Washington. Yet these are admittedly anxious political times. In the face of communism and Russian totalitarianism there must inevitably be concern about the loyalty of men in influential posts. I myself am convinced that active communism should be strongly resisted. But I would argue that these problems of disloyalty and subversive activity, like the major problems of war and peace connected with them, should be left in the hands of some national authority.

It happens to be exceptionally difficult to define communism. In a period of political anxiety it is an accusation far too readily thrown against any unpopular doctrine, however authentically that doctrine may be rooted in native American traditions. The substantiation of charges of communism should be in the hands of the most experienced and competent tribunal that a generous and wise political instinct can devise, endowed with careful and deliberate procedures—a tribunal, moreover, that would recognize one of its functions to be the defense of the habits of liberal debate and criticism that are indispensable to a sound democratic system.

NOTHING could be worse for our political health than a seizure on the part of the states, and the other innumerable public authorities who might follow their example, of the right of political investigation of this sort. To the faculty and administration of the State University of Washington, American universities and colleges owe a debt of real gratitude. The faculty of Washington, it is reported, will itself review the findings of the investigating committee of the state legislature and make recommendations affecting the tenure of the
seven members of the faculty whose careers are in jeopardy. This is a valuable decision because it is the assumption on the part of the faculty of a corporate responsibility for discussing the conduct of its members when vital intellectual or political issues are at stake.

By this statement I do not mean that faculties should themselves become disciplinary bodies charged with the obligation of ferreting out cases of treason or subversive activity. Rather it is my hope that the faculty of the State University of Washington will find means of determining more precisely and fully what, in this age of great cultural crisis, are the acceptable proportions and boundaries of academic freedom.

That academic freedom is desperately in need of clarification is obvious. Above all do I sincerely hope that we are in the presence of a faculty that as a corporate body will engage in a sustained discussion of its responsibilities in a crisis of the human spirit that appalls all thoughtful men.

Modern faculties are in a dangerous posture. They have become discoordinated and atomistic to a degree that has undermined their influence and authority. The dereliction of essential responsibilities on the part of most faculties is staggering. It is my contention that the academic spirit, the intellectual coherence, and the cultural authority of the American university have steadily diminished in the past generation.

We all know the reasons. We are more interested in special subjects than in education. Our research takes up too much time. Committees are a bore. We drop obligations that a conscientious administration picks up and is often blamed for so doing. For the active vigilance that alone makes a strong corporate faculty, we substitute a periodic affirmation of slogans about general education, integrated curriculums, academic freedom, and so on.

Nowadays many of us are sitting on our suitcases waiting for a call somewhere else; we cannot bother about the long-term life of the institution to which we happen for the time being to belong. We are not members of one another. Academic freedom means rights for ourselves as separate individuals. Academic freedom has no context. The institution is identified in us; we are not identified in the institution.

When we speak we are too little aware that all the dignity of our profession and the weightiness of our institution should be implicit in our words. When we speak outside the realm of our special competence, we fail to remember that it is the rostrum from which we speak, that is to say the name and reputation of the university, that attracts the attention of the press, or the legislature, or the alumni.

Academic freedom of teaching, research, and expression is so vital and indispensable that it is eminently worth while to identify it and to provide it with a realistic context. I am quite sure that it is not enough to dig out, as one faculty recently did, a resolution passed in 1918 in order, almost without discussion, to reaffirm it in 1948. We have entered upon a crisis of the spirit and of the political body as momentous as that of the age of the Reformation itself. To examine closely and resolutely all academic purposes and principles that we consider vital is an obligation that we can sidestep only at the expense of our integrity and authority.

Let us take just one of these principles, academic freedom, and look at it more closely. Let us dispose of an extreme case first of all. Can a member of a university or college faculty be a Communist and invoke the protection of his colleagues and the administration? By Communist I do not mean a follower of Henry Wallace, or a liberal, or a trade unionist. I mean an advocate of a rigid Marxist totalitarian regime, the disciple of an intolerant creed that would suppress all other forms of political organization, the apostle of a millennium so false that to oppose it becomes the deepest intellectual and moral necessity.

We have seen such Communists at work in academic life in Czechoslovakia. We know that they promptly repudiated the contract that is basic to creative political action in a democracy and to creative intellectual activity in a university. This is the contract that the success of no party or creed shall become the occasion for stifling or purging its opposition.

In the game of totalitarianism in which winner takes all, including the jobs and lives of its opponents, the democratic principle of tolerance loses meaning.

The Communist has himself stepped outside the range of academic freedom. That we should handle a putative case of communism with the greatest scruple and that we should extend “due process” generously goes without saying. But it is also clear that a Communist has diminished, some would say destroyed, his claim to the asylum of the university.

It is urgently necessary to achieve a valid definition of communism in order that we may defend all other forms of liberal expression and belief. To sponsor and safeguard liberal expression and belief is a precious task which no great institution can relinquish without loss of integrity. Does this statement, however, mean that as professors we can express ourselves in any manner of our choosing,
and on any subject of our choosing, provided we are not Communists, confident that our institution, presumably through its president, will shield us against criticism and censure?

As the title of one of his most reflective essays, Carl Becker chose the term Freedom and Responsibility. This juxtaposition is meaningful. Academic freedom imperatively connotes academic responsibility. This academic responsibility is dual in nature. It is both intellectual and institutional. When study and reflection have entered into a man’s being, giving him his stature and his authority, then he should be free to make a coherent and integral presentation of his experience at any time and in any place. The principle of academic freedom was conceived for such men in whom research becomes accurate knowledge, or learning becomes wisdom. The university is their rightful platform, and from it they are entitled to project into their society the concepts and criticisms, the techniques and procedures, the warnings and admonitions, to which their ripe experience gives them the right. In them education becomes a form of statesmanship, and through them the university achieves its highest purposes of leadership in science and politics. What they say may even occasionally hurt and be resented. Thorstein Veblen in his day made some very unpalatable statements about men of wealth and leisure. But men such as he in social theory, or R. H. Tawney in economic thought, or R. E. Cushman in civil liberties, have a rightful asylum in the university. Not to guarantee protection would be virtually to rob them of their investment in their own genius.

Am I implying that by contrast a professor of psychology is not entitled to go out and drum up votes for an unpopular and radical politician, or a professor of English literature to picket a downtown restaurant? I am not. The abridgment of the rights of a private citizen is not good university policy. But I would argue that academic freedom has little or nothing to do with these actions. They are the actions of men outside the realm where they have leadership or significant authority. On that account they run the risk of being delinquent to their institutional responsibility.

A picket may be a private citizen; he may be recognizable also as a professor of English literature. By provoking resentment against his institution, he may expose to damage the welfare of the corporation of scholars to which he belongs.

I would ask faculties to have a reader sympathy for the anxiety of a president who has to face the irritation of the legislature, or board of trustees, or a wealthy benefactor. Legislators are sometimes unreasonable and narrow-minded. So sometimes are professors. I can readily envisage a circumstance in which a president has a duty to refuse or sacrifice a bequest. He can at least report that the institution has lost money but gained in stature. Yet, in the ordinary course of events, legislatures have to make appropriations and alumni must give of their wealth if research and teaching and salaries are to prosper. The institution and its work have a high priority. Every faculty should recognize that this priority is in its charge. The financial operation of a modern university is “big business” in the most accurate and complete sense of the term. A successful budget is a major achievement in public relations, the result of difficult and often delicate negotiations with federal and state agencies, alumni, trustees, business corporations. To study and to express the results of study are the major functions of a university. But they require money, and right now enough money is very difficult to get.

Against those of us who step out of character a more severe indictment is possible. It is that our own scholarship may be so sterile that we must satisfy our desire for influence by making ourselves observed on the street corner. Or, alternatively, we have failed to recognize the great opportunities for influencing the practical life of our society that are inherent in our academic discipline.

For too long we in the humanities and the social sciences have missed the truth that ours are in reality the most practical and useful of disciplines, that we have the incessant responsibility of projecting into the world of action and decision the substantiated knowledge, the pondered conclusions, the clarified relationships that alone can make such action realistic and such decision constructive. As a historian I stand humble and excited before the indispensable things that my profession must do to keep faith with American democracy.

Here are a few of the great problems which events have placed in the charge of the historian and social scientist.

How must our history be rewritten in order that Americans may recognize the new shape and location of their own country? Because our cities were not battered and broken as were those of Russia or Great Britain, we feel that after the war we at least are still living in a familiar world. This is a delusion and a dangerous one.

We are living in a wildly unfamiliar world in which most of us are badly lost. We do not know our way about in the Middle East. We have no idea of what Palestine really means, and have most clumsily shown it. We do not realize that strategically we are worse off in the Atlantic in 1948 than we were in 1938. The immense revolutions in strategy, in economic and social relationships, brought about by
the diminished colonial authority of Great Britain, France, and the Netherlands, are utterly out of focus in our minds.

All we can do to respond to these problems is to mouth the old slogans about imperialism and suppressed peoples which we developed to flatter our sense of difference and vanity in the days of our physical isolation and political isolationism. Not one American in a hundred can even guess at the deeper causes of the antagonism which the present ruling group in the Argentine feels impelled to foment against the United States.

Have we thought how a great quasi-medieval population like that of India can be secularized and modernized without passing through the hellfire of civil and religious wars and vast spasms of social and economic adjustment?

Do Russia and America confront each other like pugilists who spar for a while and then shake hands, or are they themselves the fatal agents of an inexorable feud between opposite methods of organizing human existence?

These questions give the magnitude of our crisis and the measure of our opportunity as teachers and social thinkers. In grappling with these, academic freedom becomes not a free ticket to indiscretion, but a share in shaping a nation’s destiny. I remember the compliment that the Nazis paid historians and social scientists by preferring to purge them before engineers. They confirmed a lifelong conviction that those who deal with the things of the spirit are the architects of the spirit and its logical defenders. My list of great issues is that of a historian. If I were a philosopher or a humanist I could draw up a list as long and as urgent, and I know that each list would be deeply related to the other. In the final analysis all great scholarship, like all great teaching, is absorbed in the contemplation of the value of life, the possibility of human maturity, the power and obligation of man to turn new thought into creative action.

In a democracy the priceless contribution of the university is constructively to influence the life of its generation by making the thought of the scholar available to the active daily life of society. Such a scholar is the true intellectual. Macaulay once wrote that in the navy of Charles II there were sailors and gentlemen. But the sailors were not gentlemen, and the gentlemen were not sailors. In our American universities scholars are too rarely intellectuals. Too often they are men of industry and rote, men of a sterile specialization, costive with research, of whom Confucius wrote, “Learning without thought is labor wasted: thought without learning is perilous.” The lack of the intellectual was a cause of the betrayal of Germany, of the collapse of the French spirit, of our own confusions and anxieties in this stupendous age.

The intellectual is a scholar. In him the scholar transcends the specialist. While the specialist is atomistic, the intellectual shares the thought of his colleagues, and turns the university into a corporate and responsible company. He is a humanist. That is to say, he considers that man’s finest concern is with man himself. He is an optimist, since he believes in physical betterment and moral improvement. The intellectual clarifies. Upon confusion he seeks to impose understanding. He classifies, for his instinct is to know the higher from the lower, the urgent from the indifferent thing.

The intellectual works with ideas. He conceives them, delivers them, and sends them out into the world to work. When they have outlived their usefulness—for ideas, like men, can become sterile—he retires them, publishes their demise, and endeavors to inter them. He knows that life needs constantly to be refreshed with new ideas and procedures, and as constantly to be emancipated from the thraldom of obsolete assumptions. Each succeeding generation has the peremptory task of housecleaning, of re-examining its basic operating concepts.

Each generation must write history and philosophy and politics in a form that is adequate to its needs. These subjects must be taught and untaught. History justifies isolationism in the nineteenth century, but it cannot do so in the twentieth century. Accurate and full knowledge about Russia in the nineteenth century was useful and interesting; to Americans in the twentieth century it is indispensable and vital.

No American generation, except perhaps the first one, has ever been asked to do so much, so soon, to clarify, explain, reinterpret, this frightening new world into which we have been plunged. Because the world is in crisis, education is in crisis. American education must lead the way out of the crisis or fail. It must think of itself as a revolutionary force, responsible for moral, intellectual, and spiritual formulations and affirmations. Finally, the intellectual is a practical man. He knows that the true responsibility of scholarship is not to itself, but to men—to the men of his own generation who are working, sweating, fighting, building, and dying in less-sheltered places than are vouchsafed to him. For these purposes he has academic freedom.
A Bargain That Devours Itself
What Rent Control Does to Housing
By Representative Ralph W. Gwinn

WHAT is causing a worse shortage of rental housing in peacetime than in war? Why not find out the cause of this shortage. If we can abolish the cause, the shortage will end.

In 1947 the Census Bureau made a survey of housing. The results are almost unbelievable. The number of dwelling units in the United States in 1940 was 34,854,000. By April, 1947, they had increased to 39,016,000. In spite of this increase of housing units by more than four million, the number offered for rental dropped by two million. There were less rental units in 1947 than there were seven years before, the first drop in our history.

Here are the actual figures for two major metropolitan areas. Rental units in Chicago dropped from 863,000 homes in 1940 to 819,000 in 1948. In Philadelphia, the drop was from 432,000 to 381,000. Figures for most American cities tell the same tale.

A Regional Case

Perhaps the most thought-provoking picture is that presented by the Scranton-Wilkes-Barre area in Pennsylvania. There was no housing shortage there in 1940.

In the next seven years its population declined 15%. In spite of ample housing and the population decline, there was the same old complaint, "A severe shortage of rental housing." Overcrowding of veterans was one of the worst in the country. Two or more families were found in nearly one fifth of the units occupied by veterans.

What happened?

Under rent control owners of about 11,000 dwelling units quit renting and threw them on the market for sale. Owners of nonincome-producing investments take their losses and get out as quickly as possible. The horrible crowding of veterans and others who must rent was caused by the government's destruction of rental values. There was actually more living space per person than ever before. Fifteen per cent of the people moved away but the houses with more than enough space remained. There were only 3.7 persons in the average home in 1947 compared with 4.3 persons in 1940. But the rental shortage has become so terrifying that government propagandists propose that government build houses to cure the shortage it created.

Actually there is no housing shortage. The only shortage is one of dwellings for rent. The proof of this is most dramatically illustrated by comparing the real estate advertisements found in our newspapers. In 1940, there was a surplus of housing. Vacancies ran about 7%. In 1948, there was an alleged housing shortage. Thus one would expect to find many for-sale advertisements in 1940, and practically none in 1948. Here are the facts: in August, 1940, The New York Times carried 6,322 classified advertisements of houses, apartments, and apartment houses for sale; in August, 1948, it carried 23,036. The Chicago Tribune went up from 11,303 to 32,045 in the same period. The Los Angeles Times showed an increase from 18,930 to 78,925. This same fantastic increase in houses, apartments, and apartment buildings for sale was found in the Pittsburgh Press, the Atlanta Journal, the Cleveland Press, the San Francisco Examiner, the Baltimore Sun, and almost any other newspaper that you may wish to consult.

Now how can there be a housing shortage when hundreds of thousands of desirable dwellings are literally being thrown on the market at prices below present building costs? Can it truthfully be claimed that there is a housing shortage when there are more houses than ever before; when the newspapers are doing a land-office business in selling houses but not in renting them?

Why Fewer Houses for Rent

The only shortage is one of dwellings for rent. The dwelling units that were formerly for rent are now offered for sale. This is not because owners want to sell but because they are forced to sell. When government destroys 40% of rental income from property, it destroys 40% of the investment value of that property. This moral breakdown of government causes owners to dump their buildings and retire from that investment field. In other words, they are being liquidated—American style—and those who want to rent must buy or double up.

The Census Bureau furnishes still more evidence that rent control is the cause of our shortage of rental housing. In April, 1940, it found that 7% of all urban housing units were vacant. In 1942 rent control began. In its 1945 study the Census Bureau found few vacancies in rental property. However, it did find a 30% increase in the number of dwelling units occupied by only one person. It also found a 23% increase in the number of units occupied by only two persons. During the same period the
dwellings units occupied by five, six and seven or more persons decreased rapidly.

In other words, tenants in all categories were spreading out and using more space than ever before. One person occupied space that was formerly occupied by two or three and so on throughout the frozen housing situation. Under rent control, if the husband or wife dies, the survivor stays on. If children marry or leave home, parents stay in possession of the unneeded and unused space. For them space is cheap, but newcomers, newlyweds and returned veterans find no vacancies. Those vacancies which would normally appear in a free economy are no longer released. Those who could get along with smaller space do not move because they cannot find it. The October first moving date for all manner of adjustments to needs and pocketbook is prohibited by law.

Why is this? Why are people forced to buy houses when they prefer to rent them?

Here’s why. The purchasing power of the 1949 dollar has dropped to about one half that of the 1940 dollar. This has resulted in higher prices for all goods and services except one—rent-controlled housing. Since most people know a bargain when they see it, the demand for rental space at about one half its real value has increased enormously. It is still increasing.

That is why tenants are spreading out and demanding more space per person than ever before. That is why the number of apartments occupied by one or two persons has increased so rapidly. That is why the number of rental houses occupied by five or six persons has decreased. That is why home owners had rather sell their homes than rent them. That is why there is a shortage of units for rent. That is why people must purchase houses they would rather rent.

Thus it can be accurately stated that rent control is the sole reason why prospective tenants cannot find apartments and houses for rent. And the longer this restriction on freedom—rent control—is continued, the worse this shortage will become.

**What Would Happen**

Now it is claimed that most tenants would not be able to pay the increased rents that would result if we return to freedom. It is charged that there would be mass evictions and millions of homeless people. These are utterly false and irresponsible statements for this reason: Homeowners cannot charge more than tenants can afford to pay. More than they might wish to pay—yes—but not more than they can pay. If the homeowners tried it, their rental units would be vacant. Does anyone claim that homeowners would deliberately keep rental property vacant in a free market? Did they do it before rent controls? The price for free-market rent will automatically be within the means of the tenants.

It is admitted that the abolition of special privileges in housing would inconvenience many persons who now occupy apartments that are underpriced by government decree. Many of these tenants might find it necessary to seek smaller and lower-priced quarters. Many of the persons who now live alone might find it necessary to share their apartments—or give up apartments for rooms—in order to pay the increased rents. The trend under controlled rents toward single-person occupancy would stop. As a result, persons who could afford only $50 quarters would move there instead of staying in their present $75 quarters that they are appropriating for $50. The persons who could afford the more desirable—and higher-priced locations would then move into them.

**Perfect Example**

What would happen if we abolished the special political privileges granted to one group at the expense of another group by rent control? Let me cite a concrete example—a certain Chicago apartment hotel. When rent control came, 11 of its 50 apartments were occupied by one person, and the balance by two, three or four persons. The building housed 96 persons.

As time passed, changed circumstances caused tenants to move. Whenever a vacancy occurred, those who had been sharing apartments requested separate apartments. With higher income and frozen rents, they wanted more living space. This was okay with the manager. From his viewpoint, fewer tenants meant less wear and service. After five years of rent control, 35 of the 50 apartments were occupied by single persons. The other 15 were occupied by married couples. Not one apartment was occupied by two girls, two men or even a mother and daughter. The building housed 65 persons on July 1, 1947.

Rent controls on apartment hotels were removed July 1, 1947. The manager raised rentals $12.50 a month for two months in a row—$25.00 in all. Within three months 14 tenants moved. Four moved back to their parents, four doubled up, and six moved into rooms in private homes. All are adequately housed with perhaps a little less luxury. New tenants moved in. Within three months the building housed 93 persons—43% more than under rent control. Can this result accurately be called bad for tenants as a whole?

So we see that rent control, like price control, which it is, produces scarcity. Remove rent control and the scarcity is cured almost immediately. This is how the free economy works.
Conversely, if government control of housing continues, the present demand for rental units at a price below their true value will multiply. The shortage will increase because tenants can afford to buy more space at this bargain rate. In fact, many present homeowners will sell their homes and try to become tenants at the bargain prices arbitrarily set by government. Building for rent will stop. Tenants in free-market-rental properties will soon insist that in all fairness government should reduce their comparatively high rents. If it is fair for one group of tenants, why is it not fair for the other?

Concerning Children

Probably the most unfortunate result of rent control is the discrimination against prospective tenants with children. Now there have always been apartments reserved for persons without children. This is because tenants themselves demand it.

But before rent controls were imposed upon homeowners and tenants, there were always plenty of desirable rentals available for families with children, any number of children. The homeowners provided facilities for children and made them welcome. Under freedom, homeowners with dwellings for rent had to do this in order to keep their buildings occupied.

But all this changed under government-imposed rents. Single persons and childless couples have an advantage in bargaining for the space usually reserved for families with children. The homeowners feel that they can make up a part of their lost rent by reducing the number of occupants per unit. They feel obliged to try to balance their increased fuel, service, and repair bills by avoiding the increased fuel, service, depreciation, and repair bills that come with children. And as the government tightens its control over the price of rent, this discrimination against children increases. Thus persons who own rental property—and 80% of all rents go to persons with children, any number of children. The homeowners provided facilities for children and made them welcome. Under freedom, homeowners with dwellings for rent had to do this in order to keep their buildings occupied.

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History

This proposed rent-control measure has a time limit of 27 months. As was to be expected by any student of history, this time limit is longer than the limits set in the previous extensions. And it can be safely predicted that the next extension will have a still longer time limit—if any. The same thing happened in France, Austria, Germany and all other countries that tried rent control. They kept temporary rent controls after World War I for exactly the same reasons that we have kept rent controls after World War II. They too extended those measures temporarily from time to time. They too once removed rent controls from new construction in order to induce persons to build new dwellings for rent. Finally the clamor of the tenants in those newer and higher-priced units caused the governments to bring them also under government control—temporarily, of course. Next the word temporary was dropped forever from the rent-control laws. Now those tenants are forced to remain permanently in their rapidly deteriorating government-controlled dwelling units. Those are the lucky tenants who have apartments. Their rent is only 2% of their income. A month’s rent will not buy the landlord a pair of shoes. He is frankly conceded to be among the underprivileged classes. The government promises to do something about it, but nothing is done. Who will buy property that offers nothing but losses? It is a liability in France today where there is no equity or justice governing property ownership. Nobody benefits. The poor as usual suffer most of all. Would-be tenants cannot find a vacant house for rent at a legal price. There just are not any. In spite of the destruction that rent control has brought to housing in these European countries, the tenants and the government officials still seem to believe in the myth that government rent controls were and are in the best interest of the tenants.

From Europe

We Americans are following this same path. So far, we have not deviated in any respect from the European pattern of government-controlled housing after World War I.

It is as though we had taken their blueprint for the destruction of housing and decided to follow it line by line. This present proposed extension of rent
controls in America is in exact agreement with the European timetable.

The proposal to bring certain uncontrolled housing back under rent control fits the pattern perfectly. And the inevitable results cannot vary in any respect.

Who benefits from rent control? A few tenants continue to enjoy an unjust enrichment they have had for years. A few landlords of new uncontrolled housing enjoy abnormally high rentals. A few bureaucrats enjoy government checks. In the end owners are robbed and liquidated. Many tenants are shut out of needed space. The public pays more taxes to build public housing to cure a government-created shortage of rental housing.

**Capital Is Mortal**

*By Maurice E. Peloubet*

*In The Certified Public Accountant*

THE outcry against strangling monopolies, the pressure of enormous aggregations of capital and the concentration of wealth seem much less important when we consider how transitory these things really are. The Hudson’s Bay Company is probably the oldest continuous business in the world. Yet it was organized as recently as 1670. The enormous aggregations of capital represented by the Fuggers or the Medici have melted away. A business 100 years old is a rarity and the average life of an enterprise is much less than that.

If this were not true, the whole world would probably be the property of a few Sumerian or Minoan families or it would belong to a small consortium of Babylonian or Chaldean banks. The state socialism of the Incas would be in successful, benevolent, and suffocating operation. A Chinese bank or two of 900 or 1,000 B. C. would probably control most of Asia.

These things have not happened. If the crude theory of eternally preserved or self-renewing capital were true, they should have happened. What stopped them? Why did such financial institutions die, disintegrate and disappear?

For one basic reason: the ultimate end of all capital is to be lost. As Swinburne says,

“Where even the weariest river” (of capital)

“Winds somewhere safe to sea.” (of loss)

This is, perhaps, a sad picture. But the gloom is not unrelieved. A static, stratified and unchanging civilization is, without doubt, the most favorable to the preservation of capital for an indefinite period. It is also, to my mind, the dullest, most unproductive and most unsatisfactory in which to live. An Egyptian or Brahman stability is not attractive to the Western or European mind.

**Letters**

*Bellow* are more reactions to the *American Affairs* Pamphlet entitled “Packaged Thinking for Women,” published as a supplement to the Autumn, 1948, number of *American Affairs.*

To the Editor of *American Affairs*:

Since one of your *American Affairs* Pamphlets dealt with the Advertising Council rather cursorily, your readers may wish to know more about the organization and its activities. Two of the current public service projects should be of particular interest to your readers: (1) a campaign to increase the American public’s understanding of our economic system; and (2) an advertising guide (prepared in consultation with the U. S. Dept. of State) for export companies to help them make their advertising more effective against totalitarian propaganda.

During 1948, United States business supported these public service campaigns: Savings Bonds, American Heritage, CARE, Better Schools, Fat Salvage, Fight Tuberculosis, Forest Fire Prevention, Armed Services Prestige, Stop Accidents and United America. These, in addition to the two campaigns already mentioned.

The Advertising Council is a private, nonprofit, non-partisan organization supported and operated by advertisers, advertising agencies and the advertising media groups, for the purpose of utilizing advertising in the solution of national problems. The Advertising Council was founded on the concept that the American system of free economy and representative government which has been responsible for our country’s growth and greatness rests upon the understanding of an enlightened public.

The Council, which operates on funds donated by hundreds of corporations and individuals (including some of the Conference Board members), purchases no advertising time or space. It does attempt to act as a catalyst for advertising, supporting some of the nation’s most urgent, nonpartisan public problems, mobilizing all phases of advertising on behalf of these problems, and making known the results to business and the general public to heighten the public prestige of business and advertising.

A few days after Pearl Harbor, forward-minded members of the advertising industry formed the Council to do the titanic public information job which our wartime government had on its hands. Ultimately, more than one billion dollars’ worth of advertising space and time was put voluntarily behind war information programs, administered by the War Advertising Council. In no other country in the world was such a vast information program carried on without government compulsion and with private funds. During the crucial war days, in cooperation with the Office of War Information, business and government pooled their efforts and hundreds of thousands of volunteers pitched in on various phases of the job. The results were proof of the effectiveness of this method of getting public action. Savings bonds were sold, military personnel
April 1949

recruited, nurses joined the Army and the Navy, scarce materials were conserved, etc.

When the war ended, it was evident that V-J day did not mean the end of problems for the nation. The problems of peacetime were many and related. Increased automobile travel resulted in a rising accidental traffic death rate; hospitals were desperately in need of student nurses; racial and religious hatred among Americans was replacing wartime unity; forest fires were still destroying one of our most valuable and irreplaceable natural resources. The results of the peacetime campaigns were and still are as successful as any campaigns sired by the exigencies of war. Last year 50,000 student nurses were recruited; the motor vehicle death rate reached the lowest point in history; more people than ever sent CARE packages to the hungry overseas; more people were having chest x-rays to eradicate TB.

The Council's facilities for the distribution of mass information through advertising constitute a direct route to the eyes and ears of almost everyone who can read or listen. They include periodic time on almost every network radio program, space contributed each month by nearly every magazine publisher, regular monthly showings in outdoor advertising and car cards, and newspaper space contributed by publishers or newspaper advertisers.

Requests for Council help pour in from organizations promoting worthy causes, from government agencies, and from individuals. In consequence, the responsibility of selecting the most urgent, deserving and non-partisan projects from among the mass of appeals for help has become both difficult and demanding. All requests are thoroughly investigated and discussed by the Council's fifty-member Board of Directors, whose chairman is Charles G. Mortimer, Jr., vice president of General Foods Corporation.

To further assist the Council in analyzing requests for help, and to make certain that each project chosen shall be in the interest of all the people, the Council formed its Public Policy Committee, under the chairmanship of Evans Clark, executive director of the Twentieth Century Fund. The twenty members of this committee represent virtually every segment of American life—management, labor, religion, education, agriculture, social service, medicine and law. Unless policy for the project requesting help has already been set by an Act of Congress, the Council will execute a campaign only if the Public Policy Committee votes favorably on it.

The Industries Advisory Committee provides specialized know-how in projects which involve certain industries. This committee is composed of 38 top executives of leading industries under the chairmanship of Charles E. Wilson, president of General Electric Company. Functions of this committee are to give advice on campaigns where specific industries are involved; and to aid in raising the Council's annual operating budget.

After a campaign has been accepted, a volunteer advertising agency is put to work preparing the advertising materials. A volunteer coordinator (usually the advertising manager of a large firm) supervises the work of the volunteer agency and the Council staff member assigned to the campaign.

It is axiomatic that there is a need under our economic system for a mechanism to do this public information job as long as public welfare problems exist. It can be done by the government and paid for by the taxpayers, or it can be done by business and paid for by business. We at The Advertising Council prefer the latter method, for we believe that only by voluntary support can such a program work.

Donald Kirk Davidd, dean, Graduate School of Business Administration, Harvard University, and vice chairman of the Council's Industries Advisory Committee, said recently: "Every day it becomes increasingly clear that we are engaged in a war of ideas, a war of ideals. Democracy and Communism are the adversaries. The stakes are high. Almost everyone believes that it will be a long conflict. . . ." The Advertising Council is enlisted in this conflict between ideologies.

New York

T. S. REPPLOYER
President of the Advertising Council

Note—The Advertising Council was not the subject of the pamphlet entitled "Packaged Thinking for Women"; it was mentioned adjunctively and only to illustrate what might be anybody's problem. The twenty members of the Public Policy Committee referred to in the pamphlet are as follows:

Chairman, Evans Clark, executive director of the Twentieth Century Fund; H. E. Babcock, agricultural economist, former chairman of the Board, Cornell University; Dr. Sarah Gibson Blanding, president of Vassar College; Mrs. Olive Clapper, publicist; Dr. James B. Conant, president of Harvard University; Chester C. Davis, president of the Federal Reserve Bank of St. Louis; Clarence Francis, chairman of the General Foods Corporation; Dr. Alan Gregg, director of medical science, Rockefeller Foundation; Miss Helen Hall, director, Henry Street Settlement; Paul G. Hoffman, administrator of the ECA; Charles H. Houston, of Houston, Houston, Hastie & Waddy, formerly special counsel for the National Association for the Advancement of Colored People and Member of the President's Committee on Fair Employment Practice; the Hon. Herbert H. Lehman; A. E. Lyon, executive secretary of the Railway Labor Executives Association; Eugene Meyer, chairman of executive board of The Washington Post; Dr. Reinhold Niebuhr, professor of applied Christianity, Union Theological Seminary; Elmo Roper, public opinion analyst, Fortune Magazine; Morris Shlikin, economist, American Federation of Labor; Dr. George N. Shuster, president of Hunter College; Allan L. Swimm, publicity director of the CIO; Reese H. Taylor, president of the Union Oil Company of California.

* To the Editor of American Affairs:

Please find enclosed one dollar for which send me copies of the pamphlet, "Packaged Thinking for Women," by Lucille Cardin Crain and Anne Burrows Hamilton. I have just finished reading it and am so thankful that it has been published at last. For years I
have contended that the organized women are just propagandists for the New Deal. I resigned long ago from every federated club in which I had membership. I refused to have my vote count for the destruction of our government.

You should receive orders from [names omitted]. I have read excerpts from the pamphlet over the phone to each of the above, each is a leader in her own community, each has been trying to oppose this thing in her own way. It is really a long lane that has no turning. Thank goodness there seems to be a greater awareness than ever before. This pamphlet will really help to open the eyes of many persons.

Atlanta, Ga.         MRS. E. STEWART

To the Editor of American Affairs:

For the fear that my elementary remarks might be misleading, permit me to say first that I have always had great respect for the good women of America in their public interests. I have worked for two of them in the past; one, the late Dr. Kate Waller Barrett, and the second, the late Major Nina Van Winkle of the Metropolitan Police Department, and to me they were great women. But I am confused somewhat with the array of female talent now engaged in the public interest and also with the enormous amount of strategic lobbying which they use. Hence, the pamphlet "Packaged Thinking for Women," by Lucille Cardin Crain and Anne Burrows Hamilton, interests me very much.

I am very civic-minded at heart, but I hesitate to engage in movements which exercise such powers of "thought-transmission." I have asked for a few more copies of "Packaged Thinking for Women," as it is one of the best pamphlets of its kind I have seen.

Alexandria, Va.   MRS. DAVID N. HULFISH

To the Editor of American Affairs:

Locally, some of us have discovered what we now know is packaged thinking, in our Y.W.C.A., Council of Church Women, our A.A.U.W., our P.T.A., etc., etc. We have been aware of it for many months. The pamphlet is just what we need to prove our contentions and suspicions.

Minneapolis, Minn.  MRS. R. W. PETERSON

To the Editor of American Affairs:

After being propagandized for a year by the local League of Women Voters, with mine the lone dissenting voice, I welcomed such well-documented support.

Hartsdale, New York  MRS. R. W. BACHELOR

To the Editor of American Affairs:

I have been reading the letters in regard to your pamphlet, "Packaged Thinking for Women." From what they say it must bear out my outraged insistence that the League on a national level attempts to tell us what to think. I have never accepted this sort of interference and as a result I am a voice crying in the wilderness. Often in the last year have I said that I would resign from the League (of Women Voters) only to think better of that idea and decide to "stay in and fight."

Chattanooga, Tenn.     MRS. R. A. HUNT

To the Editor of American Affairs:

Your pamphlet, "Packaged Thinking for Women," gathers information and what to do about it under one cover in a dynamic way. Some of us here in Berkeley, in the shadow of a State University, have suspected much of the procedure the pamphlet describes!

Berkeley, California  MRS. ALTA M. HANCOCK

To the Editor of American Affairs:

I note that the National Industrial Conference Board, publisher of American Affairs Pamphlets, "undertakes only to acknowledge the integrity of the writers and the good faith of their work." While we are not in a position to question the "integrity" of the authors of "Packaged Thinking for Women," we do question their good faith in what appears to be a deliberate misrepresentation of the legislative activities of women's organizations.

Had the authors of "Packaged Thinking for Women" acted in good faith, they would have taken the trouble to investigate in a less superficial manner the organizations they attack. The General Federation of course takes advantage of information made available by government as it does of information from a variety of sources, including the Congress of the United States. Before the General Federation takes an official stand on a controversial issue, material on both sides of the question is distributed to our member clubs. The legislative policy of the Federation is determined by resolutions adopted in national convention, or, in the case of emergency resolutions, by the Board of Directors of the organization after free and open discussion, a procedure which could hardly be called "Packaged Thinking."

Washington, D. C.  MRS. J. L. BLAIR BUCK

President, General Federation of Women's Clubs

To the Authors:

We are an educational group of women trying to teach our members to build a better "yardstick" for their thinking about candidates, legislation and the vital issues of the day. We need more of your kind of analysis. Against ten million women who have been propagandized by hearing only one side of an issue, we are a small group of about twenty thousand, but we must not get to feeling it is a losing fight in the present march toward socialism. We have sent copies of "Packaged Thinking for Women" to all of our state chapters.

Pasadena, California  B. J. NORCOTT

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