

# American Affairs

*A Quarterly Journal of Free Opinion*

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## SUPPLEMENT

### Autopsy on Our Blunders in Asia

BY WALTER H. JUDD

Member of Congress

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## Notes on the Contents

*What Do You Read?* This is a book review treated as a lead article. The book reviewed is "Prejudice and the Press," by Frank Hughes. It is a devastating analysis of the recent report to the public by thirteen wise men, headed by Chancellor Hutchins of Chicago University, calling themselves the Commission on Freedom of the Press. It is a large and costly book and will perhaps never have the circulation it deserves. Nevertheless it ought to be everybody's reading.

*The Dichroic ITO.* Our Washington Correspondent chose this title. Dichroic means in two colors. It is literal. Here is ITO in two colors.

*Up, the Welfare State.* R. C. Cornuelle, as a member of the AMERICAN AFFAIRS staff, is not discussing here the merits of the new Social Security Law either pro or con. He is merely reporting the blindfold debate on it that took place in Congress.

*The Idea of Liberty Is Western.* Dr. Ludwig von Mises is bringing out another book entitled, "Liberty and Western Civilization." This is one of the chapters. His last book was the prodigious work entitled "Human Action." Dr. von Mises is the most distinguished representative in this country of the Austrian School of Economics and the foremost exponent of the doctrine of a free economy.

*Strangling Our Machine Tools.* This article by Tell Berna, general manager of the National Machine Tool Builders' Association, is very timely in view of what is running in the news about the sale of machine tools to Soviet Russia and her satellites by Great Britain and other Marshall Plan countries.

*The Supreme Court's Thoughts on Communism.* How can this American society protect itself against the Communist conspiracy without putting its own Bill of Rights in jeopardy? The ground has to be made up as we go along. That is what the Supreme Court is doing. Mr. Justice Jackson's contribution is a brilliant discussion of dangers, difficulties and distinctions.

*Size.* This discussion of bigness by the Honorable Charles Sawyer, Secretary of Commerce, is sane all the way through. The question is: What impression will it make on the mind of government?

*End of the Voluntary Life.* Another essay by Donald R. Richberg, the militant liberal, on how and why the Welfare State is bound to devour freedom.

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

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# American Affairs

GARET GARRETT, *Editor*

OCTOBER, 1950

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## Comment

*By the Editor*

UNCLE JOE never brought anything to the nursery. In fact he mooched on the children's sweets, which of course they minded, but immediately forgot as they listened to his promises.

His promises were so wonderful that the children were always disappointed with the things Uncle Sam brought. They said to him:

"Why can't you bring us things like Uncle Joe is going to bring?"

Uncle Sam brought more and more, and the more he brought the more Uncle Joe promised. One day the children threw on the floor everything Uncle Sam had just brought and said:

"We want the moon."

Uncle Sam said:

"I can't bring you the moon. Nobody can do that."

The children said:

"Uncle Joe is going to bring us the moon."

Uncle Sam said:

"He is fooling you. He can't do it."

The children said:

"How do you know that? We want the moon."

So now in the August 25th Bulletin of the Foreign Policy Association Vera Micheles Dean takes the part of the children. She says:

"The Asian peoples indirectly owe a great deal to Russia. For fear of Russia and communism has acted as a goad on the Western nations since 1945, greatly accelerating the rate of changes in relations between advanced and backward nations as well as between white and non-white peoples. Our attempts to persuade Asians that they are threatened by Russian imperialism will not carry great weight unless we can give them a convincing preview of what we propose to offer them once Russia has been checked. Nor will anything be accomplished by glowing promises of rapid improvement in living standards unless we

are able, to use Nehru's phrase, to 'deliver the goods.' Otherwise our pledges may turn out as deceptive as we now claim Communist pledges to be."

For all their power to work magic, American billions can neither compete with Uncle Joe's promises nor buy the moon.



IDEOLOGICAL warfare is a diabolical myth. So long as we persist in thinking of communism as idea we shall act as accessory to the destruction of our own institutions. If it is idea, then the right of Communists to propagate it is guaranteed by the Constitution, which forbids freedom of speech to be abridged by law; and again, when some criminal aspect of their behavior appears, they may invoke Article V of the Bill of Rights, which says that no one shall be compelled "in any criminal case to be a witness against himself." But communism is not idea. It is force disguised as idea. It is force the like of which has never acted in human affairs before. Even the barbarians heretofore had their pagan gods and their superstitions. They were bound by something. This Russian force, directed by Machiavellian intelligence, is bound by nothing. It is in that sense the only absolutely free thing in the world. It has no god. It is not bound by its people, from whom it demands both servile obedience and idolatry. It is not bound by its word, nor by truth of any kind, and knows no moral code. Its pure motive is conquest; and for purposes of conquest its total amorality is a tremendous advantage. This is the evil thing that calls itself idea. It demands to be protected by the Constitution

of a free people. And we are loath to cut off its head lest in doing so we inflict injury upon the American traditions of tolerance in which the Communists lie coiled. As it is not a conflict of ideas, so neither is it a conflict between East and West. It is a struggle between, on one side, all people who even dimly distinguish light from darkness, and, on the other side, a power that has made its own compact with evil. For an American to embrace communism is treason. It is treason because, first, it requires allegiance to an alien enemy, and because, secondly, it contemplates not merely a change in the American form of government but the surrender of American sovereignty to a foreign power. Yet until now any American has had a perfect legal right to commit this treason; and we are involved in the amazing contradiction that whereas eleven leaders of the Communist Party may be convicted for criminal conspiracy, directed by a foreign power, to overthrow the American government by force, the Communist Party, nevertheless, is a legal political party with a place on the American ballot. What to do about it is a question that keeps us in absurd confusion. "True," says Judge Learned Hand, "we must not forget our own faith; we must be sensitive to the dangers that lurk in any choice. But choose we must."



**I**N a dire analysis of our blunders in Asia, printed as a pamphlet with this issue of *AMERICAN AFFAIRS*, Representative Walter H. Judd sees China as a gigantic hand with eleven fingers. The fingers are Korea, Japan, Formosa, the Philippines, Indonesia, Indochina, Siam, Malaya, Burma, India and Pakistan, and one supernumerary finger named Iran. Then he says:

"Communist forces have now moved out into the Korea fingertip and we find ourselves fighting desperately to hold that tip. But if we push them back to the thirty-eighth parallel or even back to Manchuria, they can move right into that same finger again, as soon as our attention is turned elsewhere, or into other fingers, perhaps

Indochina, Burma, or the Philippines, or two or three at the same time. They can bleed us to death in the fingers all around the periphery of the hand, which is China, here in the center."

How much blood can we afford to lose? That is the question we do not ask. It is a notorious weakness of our foreign policy that the government forgets the first axiom, which is that the use of force is but a continuation of diplomacy, with the same ends in view. A nation, therefore, that makes political decisions beyond the power of its military establishment is absurd and invites disaster. But even if foreign policy be shaped within the strength and readiness of the military arm, there is still the danger that the diplomats and the soldiers and even Congress will proceed on the assumption that the amount of bleeding the country can stand is *X*. That cannot be so. A week after the Korean trouble began people gasped to hear that it might cost us \$5 billion. A week later it was \$10 billion and in another week it was \$15 billion. There was no use gasping about it any more because the news was just beginning. The Marshall Plan for Europe, in view of the new situation, could not possibly end in 1952, as intended. It would have to go on. There would have to be also a Marshall Plan for Asiatic countries to keep them in a peace-loving and democratic mood. More billions would have to be found for the Atlantic Defense Pact. Just at this time the Congress was debating the General Appropriations Bill of 1951, and decided not to stop building roads in isolated areas in Africa, hydroelectric power plants in Iceland, a rice cultivation project in Morocco, a water development project in Tanganyika, an agricultural project in Cyprus, roads in North Borneo, mechanization of rice farming for French West Africa, roads in the Belgian Congo for Belgium, a reclamation project on the Zuider Zee, paper mills in Austria, a project for increasing Italy's automobile industry by 25%, and on and on, with Marshall Plan dollars, because to stop these undertakings, or even to reduce the appropriations for them, would disappoint the people who have understood from President Truman's words that we are going "to help



create the conditions that will lead eventually to personal freedom and happiness for all mankind." When Senator Wherry asked, "How can we justify taking dollars from our taxpayers for projects like these when we are confronted by war?" he was voted down. Meanwhile the government of the Philippines was writing checks with no money in the bank to redeem them, expecting the American government to make them good. The Commodity Credit Corporation, with \$2 billion more borrowing power to keep agricultural prices high against the American consumer, was offering to foreign governments through the United Nations surplus food out of its vast storage at nominal prices—50 million pounds of butter at fifteen cents a pound and 25 million pounds of cheese at seven and a half cents. Billions, we have them. What are they for if they cannot buy what we want; namely, peace for ourselves and happiness and prosperity for mankind? An excited United States Senator asks why we should be pikers about it. Why not buy these blessings once for all, no matter what they cost, \$50 billion or more down on the barrelhead? Then Walter Reuther, not to be overcome in that field of fantasy, sends a plan to the President proposing that we pledge ourselves to give the United Nations \$1½ trillion over a period of years to subsidize the welfare of the world. Seeing how easily we call billions out of the vasty deep, the idea grows in the world that we have been niggardly with them. Experts of the United Nations now are working on a plan whereby American billions would be used to subsidize full employment of the whole world; in support of this they offer the calculation that if \$20 billion or \$30 billion American dollars had been poured into the world economy at a critical time the world-wide depression of the 1930's might have been avoided.

**H**ISTORICALLY it devolves upon the people who happen to possess the paramount power of the world to keep some kind of peace and order in it. In the beginning

of the Christian era it was the Roman peace. In our own time it was the British peace. Now one begins to hear of the Truman peace which, unless it turns out to be very ephemeral, will be called the American peace. But policing the world is very costly business. Always before whoever did it charged for it, because nobody could afford to do it for nothing. For a long time the Romans got their money back by taxation. The British got theirs back not so much by taxation as by exploiting the advantages of colonial empire in that bonanza time of international trade when a nation that could export manufactured goods in exchange for raw material had a permanent and very profitable seller's market. Never before has a nation undertaken to police the world for nothing, and to pay besides for the privilege of doing it. Since the beginning of World War II, that is to say during ten years, this country's grants and loans to other countries have amounted to more than \$80 billion and now are rising again very rapidly toward \$100 billion. The beneficiaries have been seventy other countries in every continent, subcontinent, peninsula, isthmus and island of the world—Great Britain in the first place, Russia in second and France third. And what have we bought with it? Neither peace nor order and almost no friends. "When will we learn," asks Senator Byrd, "that we cannot buy friends with money?" But we may have bought World War III.

**W**HAT brings a ship back when she lists over at sea is the resisting counterweight of her inert ballast. If the ballast shifts with the list, the ship will turn over. In a free economy the ballast is the great mass of everyday buyers whose resistance to rising prices tends to stabilize the cost of living. This resistance may represent partly a sense of outrage, in which case you have what is called a buyers' strike; but much more it represents a want of money. Everybody buys less and all sellers are put upon notice that they are pricing themselves out of the market. But if as prices

rise there is, *paripassu*, an increase in the people's hands of the money with which to buy, then your cost of living is a meaningless thing, the corrective force of sales resistance is cancelled, and your economy is like a ship with shifting ballast. Suppose each rise of 5% in the statistical cost of living called for an automatic increase of 5% in *all* incomes. What would come of that? Nothing day by day, for at the higher prices people could go on buying as much as before—until at last, however, you might have to go to market with your dollars in a bushel basket. If this automatic rise in income with each rise in the cost of living were for everybody, then nobody would benefit. That is clear. But if one group or one class of society can get its income tied to the cost of living it will be better off at the expense of everybody else. In that case only part of the ballast shifts and the ship may not turn over; it may only behave badly in the sea. The new fashion of labor contracts is to tie wages to the cost of living; if prices go up wages automatically go up. What happens then is that costs go up and prices rise again, which brings another lift in wages, and so on and on, *ad infinitum*. In the news a few weeks ago the following item appeared:

WASHINGTON, Aug. 22.—The Department of Labor reported today an increase of 1.4 per cent in its consumers price index for the June 15–July 15 period. One result of the announcement was an automatic cost-of-living allowance of 5 cents an hour for employes of the General Motors Corporation under the company's contract with the United Automobile Workers, CIO.

Labor so protected from inflation becomes a class immune. Those whose incomes rise slowly or not at all bear the evils of inflation.



**I**MAGINE what your reaction might be to a newspaper headline like this: "LOYALTY IN CRISIS PLEDGED BY BUSINESS," and under that a news dispatch from Washington as follows: "At a meeting today with the chairman of the National Security Resources Board, the National Association of

Manufacturers pledged the full cooperation of business in mobilizing our country's strength for war, provided it has adequate representation in the policymaking, the planning and the operational agencies of the government." Well, the headline that did appear (*New York Times*, July 11) was this: "FULL AID IN CRISIS PLEDGED BY LABOR," and the news from Washington was that twenty-two labor leaders had lunch with the Chairman of the National Securities Resources Board and pledged the full cooperation of organized labor—on one condition. The condition was clearly set forth in a statement of labor policy afterward issued by William Green, President of the American Federation of Labor. He said:

"We pointed out to Mr. Symington that any plan for present or future mobilization of American resources must provide full and adequate representation for organized labor in the policy, planning and operational divisions of the government agencies involved. It was also pointed out that the creation of mere advisory bodies in such agencies will not meet the nation's needs, and that in the past this type of advisory structure has proved ineffective."

One of the evil realities of our time is that a society engaged in total war cannot tolerate disaffection. A little of it may be suppressed, but if there is more of it than can be suppressed, it must be appeased. In the last war the appeasement of labor for fear of disaffection was a calculated policy. In Great Britain it was promised a welfare state and got it. In this country it was promised by President Roosevelt that whatever else happened it would not be asked to surrender any of its "social gains," which made it a class exempt. In return it gave its promise not to hinder the nation's war efforts by strikes. Nevertheless, as noted by Edward H. Collins:

The Little Steel Formula, which was supposed to represent a sort of Maginot Line in the field of wages, was irreparably breached by John L. Lewis in 1943, and from that point forward the War Labor Board found itself fighting a rear-guard action against a steady onslaught of demands from the labor unions for higher wages. It is an unpalatable fact that, as against a 1916–1935 average of 1,868 labor disputes annually,

the numbers in the war period ranged from 2,968 in 1942, to 4,956 in 1944, an all-time high.

Because total war is bound to create a critical manpower problem, organized labor finds itself in an eminent bargaining position. It can bargain not for higher wages only but for social advantage and power. Now apparently it is thinking that in another war it may be able to move rapidly toward its next goal, which is its right to participate in the planning and policymaking functions of government, not as a right inherent in all citizenship but as a right of organized labor, as such. That is to say a class right. And as it advances toward that class right there is the implied threat that if the claim is denied the full cooperation of labor cannot be guaranteed. Then there may be no such thing as a no-strike pledge. The social aftermath of two wars has been greatly to enhance the power and economic well-being of labor. Insofar as the change was fair and just, it ought not to have waited on war. Labor is quick to point that out and will not forget it. On the other hand, organized labor *as such* has nothing to contribute to the policymaking and planning functions of the government in war, any more than farmers as such. What society needs in a crisis, besides the loyalty of its members in their appointed tasks, will be wisdom, superior intelligence and specialized abilities. These are gifts. They are personal. They have no law of distribution. Any or all of them may be found in the ranks of organized labor, as well there as anywhere else; but if and when they are found there in the individual and the individual makes his contribution to the planning and policymaking operations of the government at war, does he represent organized labor as such or is it his country too?

THE following note on the new strategy is from *Auto Worker*, the Milwaukee organ of the United Automobile Workers of America—AFL:

"Winning a 52½ cents an hour package for the next year highlights a superb settlement achieved by Local 232 in negotiations with the Briggs-Stratton Corporation, world's largest manufac-

turer of air-cooled engines. The Briggs' settlement brings to an end one of the most stubborn fights ever to be waged by a local union membership against a big corporation. Prior to a fifteen week strike this spring, there were seventy-three other stoppages utilizing the UAW-AFL sporadic short strike technique."

THE bitterness of the dispute about controls for mobilization or war has been both sign and measure of the change that has taken place in the state of feeling between government and people since World War I. Nobody then had any fear of controls; everybody accepted them in good part, reserving only the human right to grumble. Nor is it now controls as such that people dread. It is something very much deeper. What it is may be understood when you set in contrast two postwar messages from the President of the United States. On December 3, 1918, President Wilson said to Congress:

"So far as our domestic affairs are concerned the problem of our return to peace is a problem of economic and industrial readjustment.

"Our people do not wait to be coached and led. They know their own business, are quick and resourceful at every readjustment, definite in purpose and self-reliant in action. Any leading strings we might seek to put them in would become hopelessly tangled because they would pay no attention to them and go their own way.

"While the war lasted we set up many agencies by which to direct the industries of the country in the services it was necessary for them to render. But the moment we knew the Armistice had been signed, we took the harness off. Raw materials, on which the government had kept its hands for fear there should not be enough for the industries that supplied the armies, have been released and put on the general market again.

"It is surprising how fast the process of a return to a peace footing has moved in these weeks since the fighting stopped. It promises to outrun any inquiry that may be instituted and any aid that may be offered. It will not be easy to direct it any better than it will direct itself."

On September 6, 1945, President Truman said to Congress:

"The Congress reconvenes at a time of great emergency.

"Government agencies for some time have been

able to plan for the immediate and long-range steps which have now been taken.

"I urge that the Congress do not adopt a resolution proclaiming the termination of the war. Such a resolution would automatically cause the death of many war powers and wartime agencies before we are ready; it would cause great confusion and chaos in the government.

"It is the policy of this Administration not to exercise wartime powers beyond the point at which it is necessary to exercise them.

"We should be prepared to undertake a great program of public works not only to improve the physical plant of the United States, but to provide employment to great masses of our citizens when private industry cannot do so.

"I am directing the executive agencies to give full weight to foreign requirements in determining the need for maintaining domestic and export controls and priorities."

There is the change. In World War I people said: "We impose these controls upon ourselves through the instrumentalities of popular government, for the duration of the war only. When the war has been won we will cast them off." It never occurred to them that the government would resist that idea, and it didn't. With the signing of the Armistice the whole wartime bureaucracy collapsed, as it was expected to do. The dollar-a-year men put on their hats, slammed their doors and went back to business. The railroads were returned to their owners. In a little while the economy was as free, or almost as free, as it was before. But what people now fear is a very different sequel. They have seen what can happen. During the depression they accepted controls again and Congress surrendered vast powers to the President, including control of the public purse—and all of this at first was supposed to be for the duration of the emergency only. But the laws that were passed in the name of emergency brought to pass, and were intended to effect, a revolution in the meaning and uses of government. The foundations of the Welfare State were laid. Came then the mobilization for defense and after that World War II. But even during this war the doctrine of a planned economy for peacetime was systematically developed, so that when the war ended there was a blueprint for a further extension of the power and authority of executive govern-

ment over the entire economy, touching everywhere the lives of the people. In all of executive government, after seven years of the New Deal and five years of war, there was no thought of taking the harness off, as President Wilson said, nor of leaving the economy to direct itself. The planners had it. The wartime bureaucracy did not collapse. It expanded, in order to plan and govern reconversion, and everywhere since then the sphere of executive government has expanded and the area of freedom has shrunk. Executive government now is so gigantic and multifarious that people no longer can feel they control it. Even Congress complains helplessly that the parliamentary principle has surrendered more power to the executive principle than can ever be recovered, and dreads to surrender any more. It is no longer possible for people to feel: "These are controls which we impose upon ourselves for the duration of the war." What they feel is that government imposes them and what they fear is that the road back will be forgotten.



WITH such a background of experience the dispute about controls was bound to be bitter and sometimes irrational. And all the more pity that is, since even when there is perfect faith between people and government controls are an evil to be endured with fortitude and ought therefore to be considered in a dispassionate manner purely upon grounds of necessity. We know that in time of crisis they are necessary. We know also that neither total war nor total mobilization can be managed within the framework of a free economy, and we might have learned, if we haven't, that neither can it be bought within the limitations of peacetime finance. The will to survive must in the end overthrow all conventions. Imagine then to begin with a free economy in which the free market is the controlling mechanism and all goods are rationed among consumers by the price, so that according to the price some buy more, some less, some do without. Now suddenly introduce there one consumer whose wants are pre-emptory and insatiable, to whom price is no object and who in any case

will take what he cannot buy. That consumer is total war. What he represents is unlimited compulsory consumption. What then happens to the postulates of your free economy? Certainly nobody will deny that in time of crisis scarce commodities will have to be divided between this one consumer and the civilians by some plan of allocation or priority. That means rationing by edict. But the minute you begin to ration goods by edict the function of money begins to be impaired. You may have the money but you cannot buy the thing without a ration card. With the function of money so impaired you cannot say that a free market mechanism any longer governs the economy. Necessity governs it. Thirdly, the time factor is changed. Your war consumer cannot wait. A battle may be lost, and it may be the last battle for all you know. This is ignored by the extremists who say: "Nevertheless leave it to the free market and it will work like this: the demand for war goods will cause the price of those goods to rise faster than the price of anything else and the production of them will be increased accordingly by natural incentive."

True, it would work that way, given time. But with the steel mills already working at top capacity, how long would it take for a rise of 10% or 20% in the price of steel to bring about an increase in the production of steel? While waiting for new steel mills to be built we might lose the war. Moreover, this insatiable customer wants *all* goods. There is really no distinction between war goods and civilian goods, down to a can of beans, which may be either. Knowing that the actual horror of total war is riding on the wheel of chance, and that if it starts it will start suddenly, it behooves a rational people to enact beforehand a complete law of controls, any or all of which may be invoked immediately with no further debate in Congress about it. After that the only question from day to day would be: How much mobilization? For any degree of mobilization deemed necessary, all the way to total mobilization, the law of controls would already exist. It sounds so simple. And it would have been simple if people had not learned how much easier it is for an anaconda government to swallow power than to regurgitate it.

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## *Armageddon*

### *Scene of the Supreme Conflict between Nations*

And he gathered them together into a place called in the Hebrew tongue Armageddon. And the seventh angel poured out his vial into the air; and there came a great voice out of the temple of heaven, from the throne, saying, It is done. And the great city was divided into three parts, and the cities of the nations fell: and great Babylon came in remembrance before God, to give unto her the cup of the wine of the fierceness of his wrath.

And every island fled away, and the mountains were not found.

—Revelation xvi:16

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**T**O scatter an indefinite abundance of the circulating medium with one hand and keep down prices with the other is a thing manifestly impossible under any regime, except one of unmitigated terror.—*John Stuart Mill.*

## Winds of Opinion

A man in the moon who had never known the democratic process in the United States would say to the Republican Party, "Your position is on the right—there's no room for you on the left," and to the Democratic Party, "Your position is on the left—there's no room for you on the right." He might go further and say there were persons and officials in both parties who were not in their own spiritual homes.—*Herbert Hoover.*

Paradoxically, any change for the better in the Asiatic peasant's miserable circumstances seems to wake him out of his fatalistic lethargy only to render him more receptive to communist whisperings that he ought to be getting more.—*The Economist, London.*

It is simply not true that planning and nationalization have maintained full employment in Britain in the last five years. Full employment here—as in France or Scandinavia or the Commonwealth—has been maintained partly by Marshall Aid, partly by the level of postwar demand and partly by the phenomenal prosperity of the United States. What has done the trick has not been the successful application of socialist principles in Britain but the successful working of capitalism in America.—*The Economist, London.*

We have achieved in recent years a very large measure of agreement in this country that the government—whatever its complexion—must accept responsibility for the general economic health of the whole community. That is a revolution in economic thinking and in government responsibility, a revolution so complete that it is often entirely overlooked.—*Sir Stafford Cripps, British Chancellor of the Exchequer.*

When you have great riches visibly enjoyed by some, and others in great poverty, the easy decision is to take the money from the rich and give it to the poor. That is a decision which the electorate will understand and accept. The right decision, of course, is to look for the cause of the poor man's poverty. The moment you have done so, you will find that, whatever the cause may be, it does not lie in the riches of the rich. It is very likely, however, that there will be disagreement as to what is the precise cause, and still more disagreement as to how to put

it right. When at last decisions have been reached on both these disputable points, the politician is left with the hopelessly difficult task of persuading the electorate that his roundabout solution of the problem of poverty is the right one, and that the obvious and easy solution will, in fact, ultimately, make the poor poorer, not richer.—*Douglas Jerrold in The English Review.*

There is an awful lot of talk in Texas about free enterprise. There is more talk than there is free enterprise, if you ask me. If you have any interest in that matter, let me remind you of the second thing before you start a war with Russia in order to quit being nervous about it: after World War III, you won't have to worry about free enterprise—there won't be any.—*Dr. Umphrey Lee, President of Southern Methodist University.*

The conversion of atomic energy, which "hastened the defeat of Japan," to radioactive isotopes offers untold possibilities in physiologic research. The changing of radar, which "won the battle of Britain," to microwave diathermy promises to become the most effective means of heating bodily tissues. The alteration of sonar, which "aided our supremacy of the seas," to ultrasonics may offer new methods of medical diagnosis and improved procedures in therapy.—*Frank H. Krusen, M.D., chairman of the Baruch Committee on Physical Medicine and Rehabilitation.*

The very process of having government assume the role of guardian or father of its citizens is regularly held up as something novel and progressive in political science. In truth it is as old as government itself. Practically every king, dictator, and benevolent despot of old professed to operate a welfare state. He claimed the right to function as a father and thus to make his subjects his children. That is the very system that our American forefathers would not tolerate. Reverting to that system cannot be liberalism, nor is it progress. It merely means a reversion to the age-old philosophy of government that cursed humanity until the American experiment lighted a new way.—*Malcolm McDermott, professor of law at Duke University.*

Up to a few years ago we had in this country what was known as a representative and constitutional commonwealth—a republic. Contrary to

much of the present-day talk, it was not and was never intended to be a democracy or a welfare type of government. The United States Army Manual still states: "The Government of the United States is not a Democracy but a Republic"; that the word "democracy" nowhere appears in the Declaration of Independence, in the Constitution of the United States, in Washington's Farewell Address, in Jefferson's Inaugural, nor in Lincoln's Gettysburg Address. As applied to our Federal Government it did not come into general use until Woodrow Wilson's famous pronouncement of World War I, "make the world safe for democracy."—*Frank E. Holman.*

The blasphemy of the omniscient state is that it seeks to annihilate the individual conscience. The totalitarian state is the crowning irony of a scientific age. The terrifying truth about totalitarian man is that he has no conscience. His personal integrity has been eaten away. He flip-flops with changes of party line, embraces evil as good, calls falsehood his truth without batting an eye.—*The Rev. Dr. Clubert Rutenber.*

There is another reason why the general armed assault by the Communists against the Western democracies may be delayed. The Soviet dictator has no reason to be discontented with the way things have gone. Since the World War stopped in 1945, they have obtained control of half Europe and of all China without losing a single Russian soldier, thus adding nearly 500 million people to their own immense population.—*Winston Churchill.*

If I were an American, I think I'd be demanding that the State Department line up the countries receiving Marshall Aid and all others hoping to receive it and tell them while their resolutions of support make interesting reading, Americans are not going to do all the paying and all the dying to save the rest of the world from Communist domination.—*Arthur A. Calwell, formerly Minister of Immigration and Information in the Labor Government of Australia.*

Can government that always operates in the red keep business forever in the black?—*Samuel B. Pettengill.*

There is a strong (and to my mind a deplorable) tendency among the bright young labor specialists not merely to let economics go by default out of ignorance, as was customary among the older generation of writers on this subject, but to cast it

out of the window bodily, with shrill cries of jubilation. One can hardly pick up a new book on labor nowadays without finding the author jumping gleefully on what he thinks is the corpse of Demand-and-Supply, or proclaiming with trumpets, "The Labor Market is Dead, Long Live Human Relations."—*Professor Kenneth E. Boulding, University of Michigan.*

I think it is the height of immorality to call young men to the colors, to take them from their homes and careers, and leave others behind to profit and profiteer. Profiteers are not only the men who raise their prices, but also the people who hoard food and essential material. Both of these are equal enemies.—*B. M. Baruch.*

The one prime method of transmitting the benefits of industrial progress to consumers at large—prompt price reduction commensurate with declines in real costs—has not as yet been adopted as generally or applied as broadly as the necessities of a dynamic industrial system require. Greater advances than those of the last 50 years impend, and a productivity increment of massive proportions is within our grasp, but this increment can be realized to the full only if it is widely shared.—*Professor Frederick C. Mills.*

Never mediocre, always excelling in both good and evil, the arrogant and disciplined Germans demand the best. Compared to the flagrant appeal of totalitarianism, democracy is colorless and weak. To a people who respect and admire only strength, who have never really known freedom, who have persistently returned to slavery through their own choice, democracy is a difficult ware to peddle.—*Ann Stringer and Henry Ries in "German Faces."*

American capitalism has evolved the defense against its own doom. It has created a new middle class in a manner that Karl Marx never suspected. It has made the wage earner and the white-collar worker its principal customers.—*Dr. Stefan Osusky, professor of political science at Colgate.*

It is a mistake to believe that any additional effort of which our economy is capable necessarily must be made abroad through public or private loans or grants. Money wisely spent at home will have the same immediate economic effect and in addition benefit our own citizens in the future.—*National Planning Association.*

# What Do You Read?

## A Review of Prejudice and the Press

By *Garet Garrett*

### I

**I**F the world were all jungle this would be the story of a combat between a mad serpent and the owls, provoked by the owls. In the civilized case, it is an account of how a reporter tangled it furiously with thirteen wise men on a question like this: "Is your newspaper good for you?" The wise men had said solemnly that it was not.

The history of it is as follows.

Henry Luce, tycoon of *Time*, *Life* and *Fortune*, proposed to Robert M. Hutchins, Chancellor of the University of Chicago, that a group of thinkers and philosophers be assembled to consider what was wrong with the media of mass communication in this country, especially the newspapers, and make a report to the public. Mr. Luce's idea was that a new statement of the American principle of freedom of the press was needed—rather a large order, since nearly everyone had supposed the principle had been stated once for all and with the utmost clarity in the Constitution, Article I of the Bill of Rights, which reads as follows: "Congress shall make no law abridging the freedom of speech or of the press."

But, said Mr. Luce, although some truths were eternal, nevertheless he believed that ideas of civil freedom in general and freedom of the press in particular were in need of definition. Mr. Luce put up \$200,000 and the *Encyclopedia Britannica* \$15,000. Dr. Hutchins assembled thirteen wise men, including himself, not one of whom knew anything about making a newspaper, and called this the Commission on Freedom of the Press.

In due time it produced a work entitled, "A Free and Responsible Press." This was a general report to the public, signed by all of them; there were five other books signed by individuals under the luminous atmosphere radiating from the Commission. Mr. Luce, who had provided the money, seemed not to be very enthusiastic about the general report. His *Fortune* said of it: "As the work of a group of men known for clarity of mind and expression, the obscurities of this report are literally inexcusable. It cannot be absorbed at one reading, or completely even at two or three. There are many exasperatingly cryptic expressions. The meaning of some pages yields only to persistent critical analysis. Many important sections are open

to widely divergent interpretations. Frequently the report seems to say precisely the opposite of what, on balance, it appears the Commissioners meant."

*Fortune* felt obliged moreover to apologize for one of the footnotes in "A Free and Responsible Press," saying of it: "Actually no sinister meaning should be read into this footnote; a group of careful scholars are duly noting a novel idea turned up in the course of diligent research—nothing more, nothing less."

The footnote was this: "It is worth noting that the Soviet constitution, while limiting publishable ideas within a fixed orthodoxy, undertakes within these limits to implement press expression for a wide segment of the people who own no presses" (pp. 119, 120).

Among the findings of the Commission on Freedom of the Press were these:

(1) The individual endowed by the Creator with certain inalienable rights is a myth. It said:

"The notion of rights, costless, unconditional, conferred by the Creator at birth, was a marvelous fighting principle against arbitrary governments and had its historic work to do. But in the context of an achieved political freedom the need of limitation becomes evident. The unworkable and invalid conception of birthrights, wholly divorced from the condition of duty, has tended to beget an arrogant type of individualism which makes a mockery of every free institution, including the press" (p. 121).

Wherefore, to begin with, the Declaration of Independence is torn up and God goes out the window.

(2) It follows, the Constitution notwithstanding, that there is no inalienable right to freedom of expression.

(3) The notion that the right of free public expression was an inalienable right may once have been valid but times have changed. The Commission said:

"The right of free public expression has therefore lost its earlier reality. Protection against government is now not enough to guarantee that a man who has something to say shall have a chance to say it."

(4) If the press does not reform itself and express hereafter the objectives of the community, the



public, that is to say the government, will have to intervene. The Commission said:

"Under these circumstances it becomes an imperative question whether the performance of the press can any longer be left to the unregulated initiative of the few who manage it" (p. 17).

(5) Society, that is to say the government, has both a moral and legal right to regulate the press when in the opinion of society—government again—it is not serving the public interest, and legal measures to make it serve the public interest "are not in their nature subtractions from freedom but, like laws which help clear the highways of drunken drivers, are means of increasing freedom through removing impediments to the practice and repute of the honest press."

(6) The Commission said, "We must not burke the fact that freedom of the press is dangerous."

(7) "Mainly in the hands of gigantic business units, the media of mass communication, vital to the life of our democracy, have failed to accept the full measure of their responsibility to the public. Newspapers, magazines, radio, and motion pictures are not providing the current intelligence necessary for democratic government. They do not offer the free forum for discussion of diverse views which an informed public requires. They do not represent accurately the constituent groups and major goals in our society. The mass-communications industries may thereby be opening the way for the suppression of democratic government, with themselves as first victims." (*From the dust jacket of "A Free and Responsible Press."*)

## II

YOU may imagine that a work like that would be received with tears of rage and unrepentance in the *Chicago Tribune* belfry. Colonel Robert R. McCormick called in Frank Hughes, his best staff writer, and said to him: "Find out what this Commission on Freedom of the Press is all about." Mr. Hughes says that was all, and that he received no further instructions throughout the three years of work that followed. It may well have been all; but given the time, the place, the deep want of love for the Chancellor of the University of Chicago, and lastly, the way men on the *Chicago Tribune* understand one another, it was enough. It meant *eviscerate them*, and that is what he proceeded to do.

The result is a volume entitled, "Prejudice and the Press"—491 pages of text, 120 pages of appendix matter and 61 pages of reference notes by Frank Hughes of the *Chicago Tribune* staff. As a journal-

\* "Prejudice and the Press," by Frank Hughes. Devin-Adair Company, New York.

istic feat it will be memorable. But it is much more than that. From the world of evidential fact, to which perspective is added, it goes on to report imponderable facts, such as what is happening or what has already happened to our ways of thinking, the origin and evolution of insidious doctrine, and the subtleties and semantics of intellectual disaffection. Some of it is rough, as when he says:

"... the University of Chicago has been investigated five times in the last fifteen years for immoral or subversive activities."

This is true. And all very carefully documented. Nevertheless, one may ask what it has to do with the freedom of the press. Directly, of course, nothing; yet Mr. Hughes gives it a kind of relevancy by saying:

"Chancellor Hutchins has declared that newspapers, which are a private business, must be 'responsible' and 'accountable' and that 'some degree of public oversight and cooperation and possibly of regulation' lies in store for them, but he has said that universities, which are public institutions, must have freedom which is 'absolute and complete.'"

## III

MOREOVER, since the appearances were that the Commission on Freedom of the Press had been "deliberately loaded from the left," it seemed important to Mr. Hughes to explore the political, moral and ethical ideas of its members. He searched their writings, their public utterances and the history of their affiliations.

On the responsibility of a great university for morals, he found Chancellor Hutchins saying:

"We have excluded the social graces. The university should relax its desire to train students in the moral virtues. Universities have developed the idea in parents, or parents have forced it upon universities, that the institution is in some way responsible for the moral, social, physical, and intellectual welfare of the student. This is very nice for the parents; it is hard on the universities, for, besides being expensive, it deflects them from their main task, which is the advancement of knowledge."

On the admirable use of a state-controlled press he found Professor William E. Hocking saying, in a book of his own:

"This Italian solution of press liberty (under Mussolini) was a bid to regain an over-all unity of national purpose by exciting in the masses a total vision of national destiny in whose behalf a will to sacrifice could be reborn. With such a vision, internal solutions otherwise hopeless become possible. The public, called on to share intimately in the great adventure, is liberated to this extent from the bondage

of its own ignorance. The press, herald and minstrel of the new crusade, becomes the servant of the popular dream: it is their press. The Italian dream of renewed empire was corrupt and corrupted its servants; the psychological lesson remains—for a time, aided by its press, the nation marched! . . .

"Apart from any question of Russian performance, the ideal of a national purpose and faith pervading the life of a people with the aid of its press is a conception we need not dismiss either as devoid of value or as necessarily inconsistent with freedom. . . . For us the challenges presented by the Soviet experiment are to be seen less in its practices than in the possibilities it suggests. Does our version of press freedom submit too readily to its own evils as a necessary implication of liberty? Has the liberty of each, in our system, made mincemeat of the liberty of the united whole? Seeing the necessity of diversity, is it true that a certain treasuring of diversity, for its own sake, has encouraged the freedom of every weed as having a right to live, so that the one thing that has no freedom is—the garden?"

It was Professor Hocking, Mr. Hughes found, who formulated for the Commission on Freedom of the Press its framework of principles. He is emeritus professor of philosophy at Harvard.

On what we have in common with Russia he found Professor Harold D. Lasswell saying:

"With the defeat of Nazi racialism in this war, Russia and the United States, together with other major powers, become unified once more in formal declarations of purpose. America and Russia unite, in particular, in proclaiming the dignity and worth of the individual. . . .

"Unmistakably, the outstanding spokesmen of proletarian socialism and of American idealism talk the same language of respect for human personality." *(This is from a book written by Professor Lasswell while he was sitting on the Commission on Freedom of the Press. He is a professor of law at Yale.)*

On state control of the press he found Professor Zechariah Chafee, Jr., saying:

"Technical instruments make for a more complete control of many social activities by the government, more particularly in order to redress disproportions and injustices created in the economic process. The same instruments make for a state control of public opinion. To put the point more broadly, the government has got into the habit of intervening in most other businesses, so why should it keep its hands off communications businesses? Why should the tendency toward collectivism stop when it is a question of regulating newspapers?"

"Stalin has compared the Soviet press with the American press and claimed the first is 'free' and the second 'not free' because the people of the United States do not have access to paper, presses, etc. This is not only the classical Communist challenge. It is repeated in one form or another on every progressive level."

And on teaching communism, Professor Chafee again, saying:

"The difficulty about speech is that what is poison in one country seems to be the chief and favorite dish in another country. . . . The poison here is communism and I have to spend a great deal of time trying to persuade people that they ought to allow communism to be put in print and to be put in oral discussions and even to be discussed in educational institutions.

"We have a bill, I regret to say, pending in our state legislature, that no person who is a member of the Communist party or who advocates its doctrines shall be permitted to teach in any school or college in Massachusetts, including the institution in which I am a teacher. And if such a person is permitted, not only can the teacher be put in jail but also the college can be heavily fined and the president put in jail.

"Now the arguments that are used in behalf of this bill are that communism is poison and therefore the tender little children who attend my classes should not be permitted to imbibe any of its poison.

"We cannot tell what is poison and what is not poison in advance. But our faith is that human beings themselves, given time and given discussion, will be able to separate the wheat from the tares. Whether communism will turn out to be the wheat or the tare, I don't know, but I want to give people an ample chance to find out."

Professor Chafee was vice-chairman of the Commission on Freedom of the Press. He is professor of law at Harvard. The statement quoted above, in effect that he did not know whether communism was right or wrong, was one he made while serving as a member of the United Nations subcommittee on freedom of the press. He had been appointed to that job by Alger Hiss, who was at the time in power in the State Department, not yet disgraced.

#### IV

ONE by one this reporter took them—the thirteen wise men—and found among them not one conservative. He found instead from their works and their records that "far more than a majority of them have helped and supported the Communist Party in its manifold activities," and that first and last the thirteen of them "had managed to amass at least 68 affiliations with organizations the Attorney General and Committees of Congress declared to be Communist fronts." This does not mean that any of them were Communists. Mr. Hughes goes no further than to say it is a record of affiliation such as professors who claim to be honest and objective historians could hardly be proud of. Then he adds:

"It is interesting that Chancellor Hutchins has condemned any attempt to identify college professors with Communist organizations as 'guilt by association,'

a doctrine which he has declared is neither 'American' nor 'just.' It is exceedingly strange the credence Chancellor Hutchins has gained for his pronouncement that 'guilt by association' is something wrong and unjust.

"'Guilt by association' is a fact. It is a fact which has clear and unequivocal weight in the whole body of law, from Roman and English law straight through the Code Napoleon and into American law. . . . It is interesting that Chancellor Hutchins, defending his university in the 1949 legislative investigation at Springfield, Illinois, declared that there could not be much communism in the University of Chicago because it had so many 'capitalists' on its board of trustees. Here, perhaps, is the doctrine of 'vindication by association.'"

Mr. Hughes finds in the work of the Commission on Freedom of the Press what might be called the technique of the fatal embrace. First the sound American doctrine is restated in a blameless manner, then with slow precision it is murdered by definitions, dialectics and the application of new principles for a new time. For example under the name of general truth, the Commission said:

"Freedom of speech and press is close to the central meaning of all liberty. . . . Free expression is therefore unique among liberties as protector and promoter of others; in evidence of this, when a regime moves toward autocracy, speech and press are among the first objects of restraint or control" (p. 107).

That is the embrace. From there the Commission goes on to say:

"If the freedom of the press is to achieve reality, government must set limits on its capacity to interfere with, regulate, or suppress the voices of the press or to manipulate the data on which public judgment is formed. Government must set these limits on itself" (p. 8).

"When we use the phrase 'freedom of the press,' we mention but one party at interest; the term 'press' indicates an issuer of news, opinions, etc., through the media which reach mass audiences. But since no one cares to utter news or opinions into the void, there must be at least one other party at interest, the reader or listener as consumer of news, opinions, etc.; we shall refer to him collectively as the audience" (p. 109).

"But, as this analysis is intended to indicate, under changed conditions, the consumer's freedom might also require protection. If his need became more imperative, and if at the same time the variety of sources available to him were limited, as by concentration of the press industry, his freedom not to consume particular products of the existing press might vanish. It would then be no longer sufficient to protect the issuer alone" (p. 112).

"Since the consumer is no longer free not to consume, and can get what he requires only through existing press organs, protection of the freedom of the issuer is no longer sufficient to protect automatically either the consumer or the community. The general policy of *laissez faire* in this field must be reconsidered" (p. 125).

"To protect the press is no longer automatically to

protect the citizen or the community. The freedom of the press can remain a right of those who publish only if it incorporates into itself the right of the citizen and of the public interest" (p. 18).

"Not only positive misdeeds but omissions and inadequacies of press performance have now a bearing on general welfare. Freedom to express has hitherto included freedom to refrain from expressing; for the press this liberty is no longer perfect" (p. 124).

"Today, this former legal privilege wears the aspect of social irresponsibility. The press must know that its faults and errors have ceased to be private vagaries and have become public dangers. Its inadequacies menace the balance of public opinion. It has lost the common and ancient human liberty to be deficient in its functions or to offer half-truth for the whole" (p. 131).

## V

THIS way of thinking leads naturally to a sympathetic understanding of what the Russians mean when they say the Russian press is free and the American press is not. Stalin says the Soviet press is free because it is the people's press, whereas the American press is a capitalistic press owned by a few, and the people have no press of their own. The Commission on Freedom of the Press finds merit in this piece of Slavic humor. With devastating effect Mr. Hughes sets out in parallel columns the ideas of the Commission on Freedom of the Press and the Russian idea of a free press. The Soviet idea was officially expounded by the Russian delegate to the Social and Economic Council of the United Nations, Alexander P. Morozov.

The Russian delegate said:

"Everybody knows that, since a newspaper, if it is to survive, requires the investment of vast funds which are not possessed by the bulk of the population, the freedom of the press proclaimed in the Constitution becomes in actual fact the privilege of a few newspaper owners, publishing houses, and telegraph agencies."

The Commission on Freedom of the Press says:

"The owners and managers of the press determine which persons, which facts, which versions of the facts, and which ideas shall reach the public. . . . Through concentration of ownership, the variety of sources of news and opinions is limited" (pp. 16, 17).

The Russian delegate said:

"For instance, in the United States of America, and in Great Britain, it is essential to possess tens of millions in order to be able to establish a big newspaper capable of survival."

The Commission on Freedom of the Press says:

"Although there is no such thing as a going price for a great city newspaper, it is safe to assume that it

would cost somewhere between five and ten million dollars to build a new metropolitan daily to success" (p. 50).

The Russian delegate said:

"It is obvious that in such countries freedom of the press really exists only for a few people."

The Commission on Freedom of the Press says:

"The few who are able to use the machinery of the press as an instrument of mass communication have not provided a service adequate to the needs of society (p. 1). . . . The press is not free if those who operate it behave as though their position conferred on them the privilege of being deaf to ideas which the processes of free speech have brought to public attention" (p. 9).

The Russian delegate said:

"Such a situation requires decisive remedial measures."

The Commission on Freedom of the Press says:

"No democracy, however, certainly not the American democracy, will indefinitely tolerate concentrations of private power irresponsible and strong enough to thwart the aspirations of the people. Eventually governmental power will be used to break up private power, or governmental power will be used to regulate private power—if private power is at once great and irresponsible" (p. 80).

The Russian delegate said:

"Of course, the complete guarantee of freedom of the press for the people is communal ownership of means of information."

The Commission on Freedom of the Press says:

"Under these circumstances it becomes an imperative question whether the performance of the press can any longer be left to the unregulated initiative of the few who manage it" (p. 17).

The Russian delegate said:

"This is the only way to ensure access of the broader masses of the people to methods of information and their effective control by democratic and peace-loving organizations."

The Commission on Freedom of the Press says:

"Nor is there anything in the First Amendment or in our political tradition to prevent the government from participating in mass communications: to state its own case, to supplement private sources of information, and to propose standards for private emulation. Such participation by government is not dangerous to the freedom of the press" (p. 81).

The Russian delegate said:

"Such a guarantee has been fully realized in the Soviet Union."

The Commission on Freedom of the Press says:

"It is worth noting that the Soviet constitution, while limiting publishable ideas within a fixed orthodoxy, undertakes within these limits to implement press expression for a wide segment of the people who own no presses" (pp. 119, 120).

## VI

THE first amendment to the Constitution—Article I of the Bill of Rights—saying that Congress shall make no law to abridge the freedom of the press, is embraced in the same fatal manner. In the beginning it was valid and vital. That was so, says the Commission on Freedom of the Press, because:

"Our ancestors were justified in thinking that if they could prevent the government from interfering with the freedom of the press, that freedom would be effectively exercised. *In their day anybody with anything to say had comparatively little difficulty in getting it published.* The only serious obstacle to free expression was government censorship. If that could be stopped, the right of every man to do his duty by his thought was secure" (p. 236).

"The press of those days consisted of hand-printed sheets issuing from little printing shops, regularly as newspapers, or irregularly as broadsides, pamphlets, or books. Presses were cheap; the journeyman printer could become a publisher and editor by borrowing the few dollars he needed to set up his shop and by hiring an assistant or two" (p. 25).

But times have changed, and now, says the Commission on Freedom of the Press:

"Through concentration of ownership the variety of sources of news and opinion is limited. At the same time the insistence of the citizen's need has increased. He is dependent on the quality, proportion, and extent of his news supply, not only for his personal access to the world of event, thought, and feeling, but also for the materials of his duties as a citizen and judge of public affairs. The soundness of his judgment affects the working of the state and even the peace of the world, involving the survival of the state as a free community. Under these circumstances it becomes an imperative question whether the performance of the press can any longer be left to the unregulated initiative of the few who manage it" (p. 89).

"Freedom of the press for the coming period can only continue as an accountable freedom. Its moral right will be conditioned on its acceptance of this accountability. Its legal right will stand unaltered as its moral duty is performed" (p. 263).

And therefore, says the Commission on Freedom of the Press:

"The general policy of *laissez faire* in this field must be reconsidered" (p. 125).

## VII

**B**EYOND moral and philosophical reflections, the Commission on Freedom of the Press makes its case for reform of the press by government if necessary on certain assumptions of fact, and here the reporter goes to work. Among the assumptions of fact were these:

(1) That when the Constitution was written anybody who had anything to say could get it printed, and that if he could not, then with a few dollars he could start a newspaper of his own.

(2) Now, in contrast, freedom of the press is a privilege open only to a few who can command millions, whereby freedom of expression is, or tends to become, monopolized by capitalists.

(3) That many with something to say are unable to get it printed because, as the Russians say, they have no access to presses or paper.

Mr. Hughes digs into early American history to find out what newspapers were like and what it cost to start one in the year 1790 when, according to the Commission on Freedom of the Press, the first article of the Bill of Rights that made freedom of the press an inalienable right was valid because the means of communication then did meet the needs of society. The Federal Bureau of the Census in a work entitled, "A Century of Progress and Growth," tells that in 1790 there were only 8 daily papers in the whole country, 88 weeklies and 7 periodicals. It adds:

"In 1790 the contents of newspapers were chiefly advertisements, notices of auction sales, shipping news, short clippings from papers in other states, letters from places in the West and from the West India Islands, and extracts from European newspapers. There were also a few broad jokes and anecdotes scattered through the pages. Events of local interest were seldom published, and editorial remarks were few in number, although sometimes vigorous."

Early American history tells anyone who will read it that the press at that time not only was very inadequate; it was bitterly partisan, foul mannered and scurrilous. Washington was perhaps more basely vilified in the newspapers of his time than any President since. Nevertheless Jefferson could say, "Our liberty depends on the freedom of the press and that cannot be limited without being lost." That was the great American belief. It was the very keystone of the American structure. Mr. Hughes then goes on to prove by historical research

how difficult it was in 1790 to start a newspaper or any kind of periodical, and how meager were the means of communication. The Commission on Freedom of the Press had said:

"The press of those days consisted of hand-printed sheets issuing from little printing shops, regularly as newspapers, or irregularly as broadsides, pamphlets, or books. Presses were cheap; the journeyman printer could become a publisher and editor by borrowing the few dollars he needed to set up his shop and by hiring an assistant or two."

To this, Mr. Hughes answers:

"The reader will recall that there were only 103 printing establishments in the American nation in 1790, serving nearly four million citizens. Even though the 'broadsides' and 'pamphlets' amounted to a few thousand titles in 1790, for four million people, they were nothing at all compared to the millions of titles of 'broadsides' and 'pamphlets' produced today, by America's free press, for a population only thirty-eight or forty times as great. As for the books produced by those 103 presses in 1790, there do not seem to have been any except almanacs and those on religion.

"The nation's 103 publications, poorly edited, poorly printed, generally scurrilous, small in size, lacking in news, and limited in circulation were, along with letters and a few pamphlets and books, virtually the only medium for exchanging opinion over distances. Today, people travel everywhere throughout America by automobile, railroad, airplane, and bus, swiftly, economically, and safely. Use of telephone, telegraph, radio and teletype is tremendous. There are special tickers available in many places carrying specialized information for those who desire it. There is even sky-writing. To the great metropolitan newspapers, circulating in manifold millions, is added the nearly 2,000 smaller dailies of tremendous influence, and the thousands of weeklies. To these are added the thousands of periodical magazines and publications, pamphlets, books, specialized papers, and even handbills. To all this is added the thousands of printers and hundreds of publishing houses whose services can be purchased. There are billboards, car signs, electric signs, projectors, and television. Undoubtedly, there are several hundred times more ways of communicating than there were in the so-called 'golden age.' Yet the Commission on Freedom of the Press, without presenting any particulars and ignoring these facts, produced the flat assertion that the means of communication in 1790 was satisfactory to that society and the means of communication today is not satisfactory to our society."

## VIII

**T**HAT ought to demolish the assumption that today only the rich can compete for freedom of speech because one must have millions to begin with. But Mr. Hughes goes further. His guess is that the wise men looked at something like *The New York Times* and asked: "How many millions

would it take to reproduce a paper like that?" Many millions, of course. But *The New York Times* did not begin with millions. Mr. Ochs, a small newspaper publisher from Chattanooga, bought it largely on credit, then found some old debts that had to be paid off, and really started in New York with no working capital at all. How much would it cost to reproduce the *Reader's Digest*? Many, many millions, if millions could do it. But when De Witt Wallace started the *Reader's Digest* he had so little capital that his friends very earnestly begged him not to try it. The wise men might have asked Mr. Luce how much capital he had to start his publishing empire. It was probably less than he might now spend in one week to advertise *Time*, *Life* and *Fortune* in the daily newspapers. In fact, one cannot think of one great publication now in existence, newspaper or magazine, that started with millions.

Perhaps the weakest of the wise men's three assumptions of fact is that owing to the way they imagine the press to be controlled many people are unable to get their ideas heard, the implication of this being that ideas are suppressed by capitalistic conspiracy. The answer to that, as Mr. Hughes knows, is the answer that makes a radical furious. It is to ask: "What does anybody want to say that cannot be said? What ideas are missing from the newsstands of New York, Chicago, or San Francisco?"

There is no such thing as a capitalist press so-called, either as imagined by the Commission on Freedom of the Press or by the Russians. There is a conservative press believing in the system we call capitalism. But there is also a Communist press believing in communism, and a Socialist press and a religious press and a Negro press and a labor press and a foreign language press, and so on. And it is curiously true that of all of these the conservative press is the most tolerant. In *The New York Times*, for example, you may find many radical and anticapitalist views in communications to the editor, and in the news also, if either the ideas or the persons uttering them are important. But no anticommunist idea could appear anywhere in the *Daily Worker*. In this land of the unfree press, Communists can find their literature everywhere, on the newsstands and in the book shops; in Soviet Russia a newsdealer found dispensing capitalist literature will be shot.

On monopoly, the Commission on Freedom of the Press said:

"Only 117 (approximately one out of twelve) of the cities in which daily newspapers are published now have competing dailies. Altogether 40 per cent of the estimated total daily newspaper circulation of forty-eight million is noncompetitive. Rival newspapers exist only in the larger cities" (p. 38). "Ninety-

two per cent of the communities in this country, all but the bigger cities, have only one local newspaper. In a hundred small communities, the only newspaper owner also owns the only radio station. This creates a local monopoly of local news" (p. 43).

To this, Mr. Hughes replies:

"Disregarding for a moment the fact that the Commission's quoted statistics are not precisely accurate, the inference of 'local monopoly,' or 'monopoly' of any kind, which it has drawn from them is a distortion so amazing as to be exceeded only by the fact that it has been presented to the American people under the cloak of 'scholarship' in a report signed by heads and faculty members of some of our largest institutions of higher learning. For the facts, let us consider, for example, just one of the forty-eight states, turning again to the Middle West, where Chancellor Hutchins lives, this time to Iowa.

"The state of Iowa, chiefly agricultural, has a number of small cities. Among these cities which have only one daily newspaper, and whose inhabitants are the subject of the Commission's sorrow because they are afflicted with 'local monopoly' of news, are Fort Dodge, Estherville, Boone, Charles City, Mason City, Cedar Rapids, Burlington, Fort Madison, Ottumwa, Atlantic, Marshalltown, Dubuque, Cherokee, and Sioux City. There are other such cities in Iowa but these are sufficient to illustrate the point, covering the state as they do from river to river and border to border. In all of these cities, which are part of the 'ninety-two per cent' of those in America having only one daily newspaper, the Commission on Freedom of the Press would make its readers believe the residents have the choice of reading only one newspaper.

"The ridiculous part of this notion is that in every one of these fourteen 'monopoly' cities, carrier boys for the Des Moines dailies ply regular routes, laying on the citizen's doorstep copies of a newspaper published in the capital city of the state. This newspaper costs the citizen no more than the local paper, and sometimes it presents important local news that the local daily failed to carry. In all but two of these 'monopoly' cities, the local newspaper is an afternoon edition closing its forms about 3:30 or 4 p.m., and the reader who prefers his news with his breakfast coffee in these cities can get a home-delivered copy of the morning Des Moines newspaper put to bed at 10:30 p.m. to midnight the previous night.

"To supply the latest local news to readers in these outlying 'monopoly' cities, the Des Moines newspapers employ competent and well-paid local correspondents, and keep an airplane instantly ready to fly their reporters and photographers to the scene of any important event in the state."

## IX

WHEN Mr. Hughes had finished his own research job he had an interview with the Chairman of the wise men, Chancellor Hutchins himself. His report on this is very interesting. He

wanted to know why the Commission on Freedom of the Press had not searched out the facts. Why had it failed to document its charges that newspapers "have not provided a service adequate to the needs of society"? Dr. Hutchins replied that that was not the job of the Commission. It never intended to do an elaborate research on the facts. It based its findings on factual material that everybody knew, for example, sensationalism—everybody knew that from looking at the newsstands. The job of the Commission on Freedom of the Press was to "interpret and think about the subject."

## X

IN its report entitled "A Free and Responsible Press" the Commission on Freedom of the Press kept returning to the charge that the American press had failed society by not identifying itself with the goals and objectives of society, saying, "The press must now take on the community's press objectives as its own objectives," and that "the important thing is that the press accept the public standard and try for it." But what is the public standard? The answer to that is open to anyone who will stop for an hour at any large newsstand and note what people are buying.

Are the people to be blamed for taking the worse and leaving the better? No indeed. It is no longer intellectually fashionable to blame the people for anything. Are the educators to blame? The wise men might have thought of that. No; only the press is to blame. For what? For not accepting the public standard and trying for it.

The Commission on Freedom of the Press was so obsessed with the idea that the press had done something to people that it never thought to inquire what people had done to the press. What happened to two such examples of great journalism as the *Evening Post* and the old morning *Sun* in New York, or, for that matter, Pulitzer's *World*, which although far on the popular side was nevertheless a finely edited newspaper? People stopped buying them. That was all. And what is the good of filling your paper with social essays and hard fare for the mind if people stop buying it? The Commission on Freedom of the Press was disturbed to find a feeling of frustration among the newspaper workers as they responded to the first question on its questionnaire, which was: "What worries you?" It was interested only in such frustrations as might represent a feeling among newspaper workers that they were repressed by ownership. But there is a larger frustration that might have been explored, namely, that of editorship and ownership. There is hardly ever an editor or an owner who does not wish to make a better magazine or a better newspaper, nor one who does not know how; but first of

all he must keep his circulation, and if he makes the kind of publication he would like to make he would probably lose it, in which case he has no medium at all. What he does, therefore, is to make the kind of newspaper or magazine that will sell and smuggles into it as much mental food as it will stand. Such is the public standard; and wouldn't it occur to you that the educators might have some responsibility for it?

Well, then, about the goals and objectives of society. Who determines what they are? By what known process does the total abstraction called society determine upon goals and objectives in such a way as to be able to say to the press, "These must be your objectives too"? The wise men do not say how that can happen. They avoid the difficulty by making the simple assumption that government represents the goals and objectives of society. The government is the state. Thus, almost unawares, you are led to a philosophy of statism. And the charge at last takes on its true guise. It is the government itself that is, or may be, denied proper access to the media of mass communication. The Commission on Freedom of the Press said:

"We recommend that the government, through the media of mass communication, inform the public of the facts with respect to its policies and of the purposes underlying those policies and that, to the extent that private agencies of mass communication are unable or unwilling to supply such media to the government, the government itself may employ media of its own (p. 88). Doubtless some governmental officers have used their publicity departments for personal or partisan aggrandizement. But this evil is subject to correction by normal democratic processes and does not compare with the danger that the people of this country and other countries may, in the absence of official information and discussion, remain unenlightened on vital issues" (p. 89).

What news of the government's policies and purposes has ever failed to receive wide and immediate distribution in the newspapers? If you mean propaganda, that is another matter.

One criticism of Mr. Hughes' book will be that the quotations are selective. So they are. But if you will take the trouble yourself to read the report of the Commission on Freedom of the Press you will understand why. The subject is the press; but through all the discussion of that subject a theme is intoned and the theme is ominous. The residual effect of Mr. Hughes' book is to give you a very uneasy feeling about an intellectual world in which there is no longer a God to endow the individual with inalienable rights, where there is no truth that is in itself true, where there may be design in confusion, and where a cancerous process of disaffection is almost perfectly concealed by the Aesopian language of conspiratorial communism.

# The Dichroic ITO

*Washington Correspondence*

Washington, D. C.

**I**N its propaganda for the World Trade Charter the State Department now makes its selling appeal to the eye. It has put forth a booklet of 36 pages, done in the best advertising style, entitled, "International Trade Organization—Key to Expanding World Trade and Employment." The cover is black and half-tone printing on a yellow tint. The paper is heavy and slick. The text is very brief, in large type heavily spaced, on alternate left hand pages. The opposite pages are given to symbolic and diagrammatic pictographs in black and white. In the text all the good intentions of the Charter are set forth with charming simplicity, by assertion and conclusion. No part of the document itself is quoted, and this was perhaps very intelligent on the part of the publicity expert who did the job, since it is notorious that the language of the Charter is too technical and obscure to be understood by ordinary people.

Concurrently, by chance, appeared a volume of 161 pages entitled, "Position of the National Foreign Trade Council with Respect to the Havana Charter for an International Trade Organization." To get the significance of what follows one needs to have in mind two facts, namely:

First, that the National Foreign Trade Council represents perhaps nine tenths of American industry's entire interest in foreign trade; its list of seventy-odd directors reads like a who's who of that world.

Second, that the National Foreign Trade Council is not against a world trade charter. It would welcome one. Indeed, as it tells in the preface, it "supported the objectives set forth in the Department of State's original proposals for an International Trade Organization of the United Nations and formally gave its qualified approval to the London

draft of the proposed Charter." But the London draft was so altered by the experts of many nations, first at Geneva and finally at Havana, that the National Foreign Trade Council could no longer accept it. Now it says:

"The draft Charter was weakened, at Geneva, by the adoption of additional exceptions and qualifications and by the inclusion of wholly objectionable concepts. At Havana, by the cumulative process of elaborating qualifications, introducing automatic exceptions and providing for special dispensations, the affirmative elements were diluted to the point of frustration. Moreover, concepts alien and hostile to American principles of trade and investment were definitively included in the document and fortified by the exclusion of acceptable standards of conduct. Reluctantly, the Council regards the Havana Charter as unworkable as an organic instrument for global collaboration toward the objectives stated, and unacceptable as a multilateral engagement for the United States.

"If it is impossible to obtain a sound and workable agreement for an International Trade Organization based on the system of free, private, competitive enterprise and on the concept of multilateral, nondiscriminatory international trade, the United States should not, because of pride of authorship or because of a belief that the Charter is essential to American world economic leadership, mortgage the economic well-being of future generations of Americans nor endanger the future of our own economic system."

So now you may understand what appears in parallel columns below. On the left is what the State Department says ITO is, in its slick advertising booklet. In the right column is what the National Foreign Trade Council says it is.

## The Department of State says:

ITO is based on traditional United States policies.

*(This statement is supported by a decorative page of scrolls and tablets, citing George Washington in 1796 on trade without favors; Mr. Justice Harlan in 1904, against conspiracies and monopolies in trade; Cordell Hull in 1917, speaking for a permanent international trade congress; and Charles E. Hughes in 1923 on extending trade concessions to all nations alike.)*

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## The Foreign Trade Council says:

The Council regards the Charter which emerged at Havana as bad in conception, bad in its implications, and believes that it would be extremely bad in its consequences. In the view of the Council, the Havana Charter reflects in large part the philosophy of economic nationalism, planned economy, and government control of production, trade and exchange which are the concepts of the socialist or totalitarian state, not those of free, private, competitive enterprise on which the economic well-being and liberties of the American people are based.



***The State Department says:***

The ITO provides a set of principles which member nations will agree to follow in the conduct of their international trade. Most of these principles are familiar in United States trade policy.

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***The State Department says:***

The first basic conviction underlying the ITO is that discussion around the conference table is the best approach to the solution of trade problems.

The ITO provides a forum for such discussion. It embodies the principle of consultation before injurious action against another member, rather than unilateral action followed by retaliation.

The ITO, if established, would provide:

1. A code of principles that member countries would agree to follow in the conduct of their trade with each other, and
2. An international forum for the orderly discussion and solution of trade problems.

***The State Department says:***

The development of the ITO is based upon a belief that trade problems can be more easily solved by the long-range planning of a United Nations organization in the field of international trade than by unilateral or bilateral action. The relationship of the ITO to the United Nations, like that of other specialized agencies, will be determined by an individual agreement between the two organizations.

As part of the United Nations structure there are already specialized agencies in such fields as foreign exchange (the International Monetary Fund), banking (the International Bank for Reconstruction and Development), and food and agriculture (the Food and Agriculture Organization).

The ITO aims to establish trading conditions that will contribute to a maximum expansion of world trade on a multilateral basis. The work of the Fund and the Bank is to create financial conditions that will contribute to the same end. Thus the ITO, the Bank, and the Fund supplement each other within the structure of the United Nations.

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***The Foreign Trade Council says:***

The Council firmly believes that if the United States subscribes to the Charter it will be abandoning traditional American principles and espousing, instead, planned economy and full-scale political control of production, trade and monetary exchange. The Charter does not reflect faith in the principles of free, private, competitive enterprise. Yet these very principles are the basis of the economic well-being, the political liberties, and ultimately the religious liberties of the American people.

***The Foreign Trade Council says:***

The Charter does not properly safeguard the interests of the United States. The provisions for the settlement of any controversy that may arise between member countries are quite inadequate. The functions assigned to the International Court of Justice in respect of differences between members are too limited to be constructive, since they are confined only to questions of law and not of fact.

The Charter would override restrictions imposed by Congress when it authorized adherence of the United States to the International Court.

***The Foreign Trade Council says:***

1. Under the Charter the United States would pledge itself to take action "to assure a large and steadily growing volume of real income and effective demand" for all members of the ITO.
2. This country would be committed to take action "to increase the production, consumption and exchange of goods" for all member nations.
3. The United States would be under obligation to take action "to foster and assist industrial and general economic development, particularly of those countries which are still in the early stages of industrial development."

Assumption of the obligations inherent in paragraphs 1, 2 and 3 would amount, in effect, to the signing of a blank check by the United States in favor of other members of the ITO, and could impose enormous financial burdens upon the American people and a dangerous drain on the resources and productive system of this country.

This country would also be required to grant all member nations access, on equal terms, "to the markets, products and productive facilities which are needed for their economic prosperity and development."

There is grave question as to the advisability of

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***The State Department says:***

**FULL EMPLOYMENT**—Our goal of full employment depends, in part, on a healthy export market. In 1948 there were more than 350 thousand workers in our machine industries who were dependent for their jobs on exports—over 300 thousand in the metal industries, almost 300 thousand in the field of trade, and 250 thousand in the production of textiles. In fact, almost 2½ million American workers are dependent for their jobs, directly or indirectly, on our export trade.

In addition to these material benefits that we derive from foreign trade, we need the increased political and economic stability of the free countries of the world. Their stability depends significantly upon their ability to obtain a high volume of our exports and to make themselves economically strong and self-sustaining by extensive trade with each other and with us.

***The State Department says:***

**ITO AND POINT FOUR**—The Charter, recognizing the need for economic development, contains provisions allowing underdeveloped countries to depart somewhat, in appropriate cases, from the general rules and obligations of the Charter in order to foster new industries. Since larger markets to absorb the increase in productivity of developing countries is one of the aims of the Point Four Program, the ITO, by reducing trade barriers and discrimination, supports this program.

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the United States obligating itself under any circumstances to make its resources and productive facilities available to other countries.

By accepting the Havana Charter the United States would relinquish its right to determine what countries should share in its resources and productive facilities.

***The Foreign Trade Council says:***

**FULL EMPLOYMENT**—The Havana Charter imposes an obligation on the United States to take action to achieve and maintain full employment not only within this country, but in all other member countries.

The United States will not have the choice as to what measures and programs it shall adopt for these purposes, but will be expected to cooperate in the measures and programs decided upon by the Economic and Social Council of the United Nations.

This obligation to cooperate in achieving full employment in all member countries might require the United States, during periods of decline in business activity, to participate in programs involving the manipulation of money and credit and heavy government deficit spending, thus setting in motion dangerous inflationary forces in this country.

***The Foreign Trade Council says:***

**ECONOMIC DEVELOPMENT AND RECONSTRUCTION**—The Charter would obligate the United States to cooperate with other member countries and with the Economic and Social Council of the United Nations, the International Trade Organization and other intergovernmental organizations in facilitating and promoting industrial and general economic development, as well as the reconstruction of those countries whose economies have been devastated by war.

The Congress should not divest itself of its responsibility for determining the sums which this country should devote to promoting the industrial and general economic development of other countries.

The provision of investment capital for the economic development of other countries is a function of private enterprise, not of government. The American people should not be required to assume the onerous tax burdens and the financial and material resources of this country should not be subjected to the dangerous drains which the above-stated Charter obligation might entail.

Adequate safeguards for private international investment are not provided by the Charter. In

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### ***The State Department says:***

**ITO'S APPROACH TO COMMODITY PROBLEMS**—The ITO provides special means of dealing with burdensome surpluses of primary commodities, such as wheat, sugar, and rubber. It recognizes that these surpluses can cause widespread hardship to large numbers of small producers and that the ordinary forces of the market place are normally inadequate to deal with them. Intergovernmental action is needed.

Under the ITO study groups may be set up to keep under constant review situations in which burdensome surpluses may arise. Such a group would provide essential information and may recommend action which can help in averting a surplus.

If the study group feels that a surplus is likely to arise, it may recommend the calling of a conference of interested countries to work out a commodity agreement to deal with the situation. The International Wheat Agreement is an illustration of the kind of agreement that might be involved.

In contrast with such agreements in the past, the ITO would require that consuming countries have an equal voice with producing countries in management and operation and that the participating countries take measures of internal adjustment toward the correction of the situation which caused the surplus.

### ***The State Department says:***

**TRADE POLICIES**—The world needs a high level of international trade. Public and private barriers, however, tend to keep trade at a low level. Producers in one country may produce a large volume of goods which they want to sell in other countries and which the people of other countries would like to buy, but their business may be stifled by barriers to international trade.

fact, the Charter tends to remove such protections as private investments now enjoy.

The United States certainly should not accept any commitment which would support other members of the ITO in the erroneous belief that this country is *under obligation* or compulsion to supply them with either capital funds or productive facilities. As a matter of fact, the United States Government has no power under which it could assure to other members of the ITO access to the investment funds or intangibles of American citizens, or to the capital goods and other productive facilities produced by American private enterprise. It could not be given such power without transforming the American private enterprise economy into a system of state-owned or state-controlled enterprise.

### ***The Foreign Trade Council says:***

**INTERGOVERNMENTAL COMMODITY AGREEMENTS**—The Charter provisions relating to intergovernmental commodity agreements are based on the unjustifiable assumption that practices which restrain competition, limit access to markets or foster monopolistic control, are evil and contrary to the public good when engaged in by private enterprises but are beneficial and in the public interest when indulged in by governments.

The Charter provisions relating to intergovernmental commodity agreements would commit the United States to dangerous and unsound economic concepts and policies and impose heavy financial burdens upon the American people.

Such agreements constitute a serious threat to the private enterprise system and to individual liberties.

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### ***The Foreign Trade Council says:***

**TRADE POLICIES**—The excellent provisions designed to secure fair treatment and to eliminate discriminations in international trade, which are contained in the commercial policy chapter of the Charter, are vitiated by the many exceptions and special dispensations which the Charter permits. For example:

(a) All tariff preferences in effect at the time the

High tariffs and rigid quotas raise the cost of those goods and therefore limit the volume of trade. Some tariffs are originally erected to protect infant industries, but unfortunately they are often maintained long after the maturity of the infant. The result is a restriction of fair competitive trade, in which the consumer is the ultimate loser.

The ITO establishes long-term principles, principles that would set the general direction of the members' trade policies for the future. Many of these principles can be fully applied by all member countries today. But the ITO does not overlook the fact that the realities of today's world make it impossible for many countries to apply them all immediately. It also recognizes the fact that the needs of its members will not all be alike.

The ITO therefore permits certain deviations from its principles. But these deviations are limited to the cases where all members agree that deviation is legitimate.

### ***The State Department says:***

ITO IS ADAPTABLE—Amendments to the Charter can be made by two thirds of the membership, and a review of the Charter is required not more than 5 years after it first goes into effect.

These provisions make it possible to change the Charter as time, experience, and circumstances indicate.

*(Opposite to this text is another decorative page, showing the ITO Charter as a great scroll on the wall and below it the member nations sitting at a long table debating amendments. At that table the U.S. would have one vote against the world. That fact is not mentioned.)*

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- Charter comes into force may be continued, subject to reduction only through negotiation.
- (b) New preferences may be instituted and can be maintained for periods up to 15 years, provided such preferences are for purposes of economic development or reconstruction.

The imposition of quantitative import restrictions for the purpose of promoting economic development or reconstruction is permitted. Import quotas constitute an extreme form of restriction on the movement of goods in international trade and, for that reason, are objectionable as measures for promoting the industrial development of a country.

The exceptions allowed in the Charter to the general prohibition against quantitative import restrictions could lead to widespread discrimination and could be a source of irritation and damage to the trade of any nation discriminated against.

### ***The Foreign Trade Council says:***

AMENDING THE CHARTER—The Charter can be amended by vote of a two-thirds majority of the members, and members refusing to accept such amendments can be suspended by the Organization. Thus an amendment, which took away privileges or added to obligations of members, could be adopted against the will of a member and the latter could be suspended for failure to accept the amendment.

Acceptance by the United States of a charter which could be amended without its assent, or over its dissent, would be a most unusual proceeding, involving a sacrifice of sovereignty unprecedented in the history of this country. Such provisions relating to amendment in a trade charter, carrying authority for such extensive exceptions and special dispensations as does the Havana Charter, would entail grave danger to the trade and economic well-being of the United States and should not be accepted by this country. The Congress of the United States should, in no event, forfeit the right of review of any amendment of an international trade charter which involves rights and obligations pertaining to American foreign trade and investment.

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SCIENCE . . . equipped man in less than fifty years with more tools than he had made during the thousands of years he had lived upon earth. Each new machine being for man a new organ, an artificial organ, his body became suddenly and prodigiously increased in size, without his soul being at the same time able to dilate to the dimensions of his new body.—*Henri Bergson.*

# The Idea of Liberty Is Western

By Ludwig von Mises

Chapter from a forthcoming book entitled  
\*“Liberty and Western Civilization.”

## I

THE history of civilization is the record of a ceaseless struggle for liberty.

Social cooperation under the division of labor is the ultimate and sole source of man's success in his struggle for survival and his endeavors to improve as much as possible the material conditions of his well-being. But as human nature is, society cannot exist if there is no provision for preventing unruly people from actions incompatible with community life. In order to preserve peaceful cooperation, one must be ready to resort to violent suppression of those disturbing the peace. Society cannot do without a social apparatus of coercion and compulsion, i.e., without state and government. Then a further problem emerges: to restrain the men who are in charge of the governmental functions lest they abuse their power and convert all other people into virtual slaves. The aim of all struggles for liberty is to keep in bounds the armed defenders of peace, the governors and their constables. Freedom always means: freedom from arbitrary action on the part of the police power.

The idea of liberty is and has always been peculiar to the West. What separates East and West is first of all the fact that the peoples of the East never conceived the idea of liberty. The imperishable glory of the ancient Greeks was that they were the first to grasp the meaning and significance of institutions warranting liberty. Recent historical research has traced back to Oriental sources the origin of some of the scientific achievements previously credited to the Hellenes. But nobody has ever contested that the idea of liberty was created in the cities of ancient Greece. The writings of Greek philosophers and historians transmitted it to the Romans and later to modern Europe and America. It became the essential concern of all Western plans for the establishment of the good society. It begot the *laissez-faire* philosophy to which mankind owes all the unprecedented achievements of the age of capitalism.

The meaning of all modern political and judicial institutions is to safeguard the individuals' freedom against encroachments on the part of the government. Representative government and the rule of law, the independence of courts and tribunals from interference on the part of administrative agencies, habeas corpus, judicial examination and redress of acts of the administration, freedom of speech and the press, separation of state and church, and many other institutions aimed at one end only: to restrain the discretion of the officeholders and to render the individuals free from their arbitrariness.

The age of capitalism has abolished all vestiges of slavery and serfdom. It has put an end to cruel punishments and has reduced the penalty for crimes to the minimum indispensable for discouraging offenders. It has made away with torture and other objectionable methods of dealing with suspects and lawbreakers. It has repealed all privileges and promulgated equality of all men under the law. It has transformed the subjects of tyranny into free citizens.

The material improvements were the fruit of these reforms and innovations in the conduct of government affairs. As all privileges disappeared and everybody was granted the right to challenge the vested interests of all other people, a free hand was given to those who had the ingenuity to develop all the new industries which today render the material conditions of people more satisfactory. Population figures multiplied and yet the increased population could enjoy a better life than their ancestors.

Also in the countries of Western civilization there have always been advocates of tyranny—the absolute arbitrary rule of an autocrat or of an aristocracy on the one hand and the subjection of all other people on the other hand. But in the Age of Enlightenment the voices of these opponents became thinner and thinner. The cause of liberty prevailed. In the first part of the nineteenth century the victorious advance of the principle of freedom seemed to be irresistible. The most eminent philosophers and historians got the conviction that historical evolution tends toward the establishment of institutions warranting freedom and that no in-

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\* Copyright by Ludwig von Mises.

trigues and machinations on the part of the champions of servilism could stop the trend toward liberalism.

## II

IN dealing with the preponderance of the liberal social philosophy there is a disposition to overlook the power of an important factor that worked in favor of the idea of liberty, viz., the eminent role assigned to the literature of ancient Greece in the education of the elite. There were among the Greek authors also champions of government omnipotence, such as Plato. But the essential tenor of Greek ideology was the pursuit of liberty. Judged by the standards of modern liberal and democratic institutions, the Greek city-states must be called oligarchies. The liberty which the Greek statesmen, philosophers and historians glorified as the most precious good of man was a privilege reserved to a minority. In denying it to metics and slaves they virtually advocated the despotic rule of a hereditary caste of oligarchs. Yet it would be a grave error to dismiss their hymns to liberty as mendacious. They were no less sincere in their praise and quest of freedom than were, two thousand years later, the slaveholders George Washington and Thomas Jefferson. It was the political literature of the ancient Greeks that begot the ideas of the Monarchomachs, the philosophy of the Whigs, the doctrines of Althusius, Grotius and John Locke, and the ideology of the fathers of modern constitutions and bills of rights. It was the classical studies, the essential feature of a liberal education, that kept awake the spirit of freedom in the England of the Stuarts and George III, in the France of the Bourbons, and in Italy, subject to the despotism of a galaxy of princes.

No less a man than Bismarck, among the nineteenth-century statesmen the foremost foe of liberty, bears witness to the fact that even in the Prussia of Frederick William III the *Gymnasium* was a stronghold of republicanism.\* The passionate endeavors to eliminate the classical studies from the curriculum of the liberal education and thus virtually to destroy its very character were one of the major manifestations of the revival of the servile ideology.

It is a fact that a hundred years ago only a few people anticipated the overpowering momentum which the antiliberal ideas were destined to acquire in a very short time. The ideal of liberty seemed to be so firmly rooted that everybody thought that no reactionary movement could ever succeed in eradicating it. It is true, it would have been a hopeless venture to attack freedom openly and to advocate

unfeignedly a return to subjection and bondage. But antiliberalism got hold of people's minds camouflaged as superliberalism, as the fulfilment and consummation of the very ideas of freedom and liberty. It came disguised as socialism, communism, planning.

No intelligent man could fail to recognize that what the socialists, communists, and planners were aiming at was the most radical abolition of the individual's freedom and the establishment of government omnipotence. Yet the immense majority of the socialist intellectuals were convinced that in fighting for socialism they were fighting for freedom. They called themselves left-wingers and democrats, and nowadays they are even claiming for themselves the epithet liberals.

These intellectuals and the masses who followed their lead were in their subconsciousness fully aware of the fact that their failure to attain the far-flung goals which their ambition impelled them to aim at was due to deficiencies of their own. They were either not bright enough or not industrious enough. But they were eager not to avow their inferiority both to themselves and to their fellow men and to search for a scapegoat. They consoled themselves and tried to convince other people that the cause of their failure was not their own inferiority but the injustice of society's economic organization. Under capitalism, they declared, self-realization is only possible for the few. "Liberty in a *laissez-faire* society is attainable only by those who have the wealth or opportunity to purchase it."\* Hence, they concluded, the state must interfere in order to realize "social justice." What they really meant is, in order to give to the frustrated mediocrity "according to his needs."

## III

AS long as the problems of socialism were merely a matter of debates people who lack clear judgment and understanding could fall prey to the illusion that freedom could be preserved even under a socialist regime. Such self-deceit can no longer be nurtured since the Soviet experience has shown to everybody what conditions are in a socialist commonwealth. Today the apologists of socialism are forced to distort facts and to misrepresent the manifest meaning of words when they want to make people believe in the compatibility of socialism and freedom.

The late Professor Laski—a self-styled non-communist or even anticommunist—told us that "no doubt in Soviet Russia a Communist has a full sense of liberty; no doubt also he has a keen sense

\* Cf. Bismarck, "Gedanken und Erinnerungen," New York, 1898, Vol. I, 1.

\* Cf. H. Laski, article "Liberty" in the "Encyclopaedia of the Social Sciences," IX, p. 443.

that liberty is denied him in Fascist Italy.”\* The truth is that a Russian is free to obey all the orders issued by the great dictator. But as soon as he deviates a hundredth of an inch from the correct way of thinking as laid down by the authorities, he is mercilessly liquidated. All those politicians, officeholders, authors, musicians and scientists who were “purged” were—to be sure—not anticommunists. They were, on the contrary, fanatical communists, party members in good standing, whom the supreme authorities, in due recognition of their loyalty to the Soviet creed, had promoted to high positions. The only offense they had committed was that they were not quick enough in adjusting their ideas, policies, books or compositions to the latest changes in the ideas and tastes of Stalin. It is difficult to believe that these people had “a full sense of liberty” if one does not attach to the word *liberty* a sense which is precisely the contrary of the sense which all people always used to attach to it.

Fascist Italy was certainly a country in which there was no liberty. It had adopted the notorious Soviet pattern of the “one party principle” and accordingly suppressed all dissenting views. Yet there was still a conspicuous difference between the Bolshevik and the Fascist application of this principle. For instance, there lived in Fascist Italy a former member of the parliamentary group of communist deputies, who remained loyal unto death to his communist tenets, Professor Antonio Graziadei. He regularly received the pension which he was entitled to claim as professor emeritus, and he was free to write and to publish, with the most eminent Italian publishing firms, books which were orthodox Marxian. His lack of liberty was certainly less rigid than that of the Russian communists who, as Professor Laski chose to say, “no doubt” have “a full sense of liberty.”

Professor Laski took pleasure in repeating the truism that liberty in practice always means liberty within law. He went on saying that the law always aims at “the conference of security upon a way of life which is deemed satisfactory by those who dominate the machinery of state.”† This is a correct description of the laws of a free country if it means that the law aims at protecting society against conspiracies intent upon kindling civil war and upon overthrowing the government by violence. But it is a serious misstatement when Professor Laski adds that in a capitalist society “an effort on the part of the poor to alter in a radical way the property rights of the rich at once throws the whole scheme of liberties into jeopardy.”†

Take the case of the great idol of Professor Laski and all his friends, Karl Marx. When in 1848 and

1849 he took an active part in the organization and the conduct of the revolution, first in Prussia and later also in other German states, he was—being legally an alien—expelled and moved, with his wife, his children and his maid, first to Paris and then to London.\* Later, when peace returned and the abettors of the abortive revolution were amnestied, he was free to return to all parts of Germany and often made use of this opportunity. He was no longer an exile, and he chose of his own account to make his home in London.† Nobody molested him when he founded, in 1864, the International Working Men’s Association, a body whose avowed sole purpose it was to prepare the great world revolution. He was not stopped when on behalf of this association he visited various Continental countries. He was free to write and to publish books and articles which, to use the words of Professor Laski, were certainly an effort “to alter in a radical way the property rights of the rich.” And he died quietly in his home, 41, Maitland Park Road, on March 14, 1883.

Or take the case of the British Labor Party. Their effort “to alter in a radical way the property rights of the rich” was, as Professor Laski knew very well, not hindered by any action incompatible with the principle of liberty.

Marx, the dissenter, could at ease live, write and advocate revolution in Victorian England just as the Labor Party could at ease engage in all political activities in post-Victorian England. In Soviet Russia not the slightest opposition is tolerated. This is what the difference between liberty and slavery means.

#### IV

THE critics of the legal and constitutional concept of liberty and the institutions devised for its practical realization are right in their assertion that freedom from arbitrary action on the part of the officeholders is in itself not yet sufficient to make an individual free. But in emphasizing this indisputable truth they are running against open doors. For no advocate of liberty ever contended that to restrain the arbitrariness of officialdom is all that is needed to make the citizens free. What gives to the individuals as much freedom as is compatible with life in society is the operation of the market system. The constitutions and bills of rights do not create freedom. They merely protect the freedom that the

\* About Marx’s activities in the years 1848 and 1849 see: Karl Marx, “Chronik seines Lebens in Einzeldaten,” published by the Marx-Engels-Lenin-Institute in Moscow, 1934, pp. 43–81.

† In 1845 Marx *voluntarily* renounced his Prussian citizenship. When later, in the early sixties, he considered a political career in Prussia, the ministry denied his application for restoring his citizenship. Thus a political career was closed to him. Perhaps this fact decided him to remain in London.

\* Cf. Laski, *l.c.*, p. 445–446.

† Cf. Laski, *l.c.*, p. 446.

competitive economic system grants to the individuals against encroachments on the part of the police power.

In the market economy people have the opportunity to strive after the station they want to attain in the structure of the social division of labor. They are free to choose the vocation in which they plan to serve their fellow men. In a planned economy they lack this right. Here the authorities determine each man's occupation. The discretion of the superiors promotes a man to a better position or denies him such promotion. The individual entirely depends on the good graces of those in power. But under capitalism everybody is free to challenge the vested interests of everybody else. If he thinks that he has the ability to supply the public better or more cheaply than other people do, he may try to demonstrate his efficiency. Lack of funds cannot frustrate his projects. For the capitalists are always in search of men who can utilize their funds in the most profitable way. The outcome of his business activities depends alone on the conduct of the consumers who buy what fits them best.

Neither does the wage earner depend on the employer's arbitrariness. An entrepreneur who fails to hire those workers who are best fitted for the job concerned and to pay them enough to prevent them from taking another job is penalized by a reduction of net revenue. The employer does not grant to his employees a favor. He hires them as an indispensable means for the success of his business in the same way in which he buys raw materials and factory equipment. The worker is free to find the employment which suits him best.

The process of social selection that determines each individual's position and income is continuously going on in the capitalist society. Great fortunes are shrinking and finally melting away completely while other people, born in poverty, ascend to eminent positions and considerable incomes. Where there are no privileges and governments do not grant protection to vested interests threatened by the superior efficiency of newcomers, those who have acquired wealth in the past are forced to acquire it every day anew in competition with all other people.

Within the framework of social cooperation under the division of labor everybody depends on the recognition of his services on the part of the buying public of which he himself is a member. Everybody in buying or abstaining from buying is a member of the supreme court which assigns to all people—and thereby also to himself—a definite place in society. Everybody is instrumental in the process that assigns to some people a higher and to others a smaller income. Everybody is free to make a contribution which his fellow men are prepared to reward by the allocation of a higher income. Free-

dom under capitalism means: not to depend more on other people's discretion than these others depend on one's own. No other freedom is conceivable where production is performed under the division of labor and there is no perfect economic autarky of everybody.

There is need to stress the point that the essential argument advanced in favor of capitalism and against socialism is not the fact that socialism must necessarily abolish all vestiges of freedom and convert all people into slaves of those in power. Socialism is unrealizable as an economic system because a socialist society would not have any possibility of resorting to economic calculation. This is why it cannot be considered as a system of society's economic organization. It is a means to disintegrate social cooperation and to bring about poverty and chaos.

## V

IN dealing with the liberty issue one does not refer to the essential economic problem of the antagonism between capitalism and socialism. One rather points out that Western man as different from the Asiatics is entirely a being adjusted to life in freedom and formed by life in freedom. The civilizations of China, Japan, India and the Mohammedan countries of the Near East as they existed before these nations became acquainted with Western ways of life certainly cannot be dismissed as barbarism. These peoples already many hundreds, even thousands of years ago brought about marvelous achievements in the industrial arts, in architecture, in literature and philosophy and in the development of educational institutions. They founded and organized powerful empires. But then their effort was arrested, their cultures became numb and torpid, and they lost the ability to cope successfully with economic problems. Their intellectual and artistic genius withered away. Their artists and authors bluntly copied traditional patterns. Their theologians, philosophers and lawyers indulged in unvarying exegesis of old works. The monuments erected by their ancestors crumbled. Their empires disintegrated. Their citizens lost vigor and energy and became apathetic in the face of progressing decay and impoverishment.

The ancient works of Oriental philosophy and poetry can compare with the most valuable works of the West. But for many centuries the East has not generated any book of importance. The intellectual and literary history of modern ages hardly records any name of an Oriental author. The East has no longer contributed anything to the intellectual effort of mankind. The problems and controversies that agitated the West remained unknown



to the East. In Europe there was commotion; in the East there was stagnation, indolence and indifference.

The reason is obvious. The East lacked the primordial thing, the idea of freedom from the state. The East never raised the banner of freedom, it never tried to stress the rights of the individual against the power of the rulers. It never called into question the arbitrariness of the despots. And, first of all, it never established the legal framework that would protect the private citizens' wealth against confiscation on the part of the tyrants. On the contrary, deluded by the idea that the wealth of the rich is the cause of the poverty of the poor, all people approved of the practice of the governors of expropriating successful businessmen. Thus big scale capital accumulation was prevented, and the nations had to miss all those improvements that require considerable investment of capital. No "bourgeoisie" could develop, and consequently there was no public to encourage and to patronize authors, artists and inventors.

To the sons of the people all roads toward personal distinction were closed but one. They could try to make their way in serving the princes. Western society was a community of individuals who could compete for the highest prizes. Eastern society was an agglomeration of subjects entirely depending on the good graces of the sovereigns. The alert youth of the West looks upon the world as a field of action in which he can win fame, eminence, honors and wealth; nothing appears too difficult for his ambition. The meek progeny of Eastern parents know of nothing else than to follow the routine of their environment. The noble self-reliance of Western man found triumphant expression in such dithyrambs as Sophocles' choric Antigone-hymn upon man and his enterprising effort and Beethoven's Ninth Symphony. Nothing of the kind has been ever heard in the Orient.

Is it possible that the scions of the builders of the white man's civilization should renounce their freedom and voluntarily surrender to the suzerainty of omnipotent government? That they should seek contentment in a system in which their only task will be to serve as cogs in a vast machine designed and operated by an almighty planmaker? Should the mentality of the arrested civilizations sweep the ideals for the ascendancy of which thousands and thousands have sacrificed their lives?

*Ruere in servitium*, they plunged into slavery, Tacitus sadly observed in speaking of the Romans of the age of Tiberius.



## The United States More Socialist Than Britain

Says Earl Browder

Formerly head of the Communist Party in the U.S.

**E**ARL BROWDER, formerly head of the Communist Party in this country, has written a violent pamphlet against his successor, William Z. Foster, saying of him, first, that in Marxian science he is mentally bankrupt, and, secondly, therefore, that he cannot understand what is happening in the United States. On what has taken place here Browder says:

"State capitalism leaped forward to a new high point in America in the decade 1939-1949. It became overwhelmingly predominant in every major phase of economic life, and changed the face of politics.

\*

"State capitalism, in substance if not in formal aspects, has progressed farther in America than in Great Britain under the Labor Government, despite its nationalization of certain industries which is a formal stage not yet reached in America; the actual, substantial concentration of the guiding reins of national economy in governmental hands is probably on a higher level in the U.S.A.

\*

"The unexampled growth of American productive forces in the decade 1939-1949, to a level about three fourths above prewar; the results of the war in political and economic disintegration of the world; and the acute stage of class and international contradictions—all united in their effects to *constrain* the American bourgeoisie more and more to recognize and deal with the national economy as *social productive forces* that required centralized guidance and control which could be furnished only by the state.

\*

"Before the war, normal foreign trade was conducted by private corporations, without intervention of the government except as the diplomatic handmaiden of trade and the collector of bills from defaulting debtors.

\*

"What is new, however, in postwar foreign trade is this—that such 'normalcy' is now gone forever, is a thing of the past. There is now a new standard of what is normal. That is normal which is generally *necessary*. And there is nothing more necessary in the postwar development of foreign trade than precisely the intervention of the government as organizer, director, and financier of the whole process. This will become more, not less, true with the passing years. State capitalism in its most advanced forms is taking over the field of foreign trade more than any other field. No escape from this tendency is possible."

# Up, the Welfare State!

## *Notes on the passage of the new Social Security Law*

*By R. C. Cornuelle*

WHEN in August, by a vote so overwhelming that it might as well have been unanimous, Congress passed the new Social Security Law, the only thing it could be sure of was that it had embraced the idea of a Welfare State. As a parliamentary performance it was so oblique that Senator Robertson could say:

"I doubt that there is any living man who could take these nearly 400 pages, which deal with this very difficult subject, and could analyze them and could tell exactly what is in the bill and how it will work out ten, fifteen, or thirty years from now."

Nevertheless he voted for the bill.

The vote in the Senate was 81 to 2. In the House it was 374 to 1.

Along with the law it was passing the Congress adopted a resolution to appoint a committee to study not only how it would work but also the whole subject of social security in a scientific manner. It was idle for Senator Malone to suggest that the study ought to be made beforehand. The pressure for a new law to increase all money benefits immediately, and to increase the number of beneficiaries at the same time, was irresistible. And some of the pressure came from industry, because now it is that the higher the social security benefits are the smaller will be industry's payments under its new pension arrangement with organized labor, as for example, when a corporation guarantees its workers \$100 a month *less* the pensioner's social security benefits. Thus, if the pensioner's social security benefits are \$70 a month, the corporation will pay only \$30.

The long and tedious debate in Congress was over points of detail, method and administration. The doctrine of social security was implicitly accepted. Senator Lehman of New York was right when he said:

"It is comforting to realize that in this debate the question is not whether we should have social security. That is now accepted in principle by almost all of us. . . . Today the question is how much social security we should have and can afford, and what is the best method of extending social security to as wide a sector of the population as possible. I congratulate those of my colleagues on the other side of the aisle who have

come to this advanced position. At this point my argument with them is one of degree and not of kind."

And later:

*"All these programs are part of the pattern of the Welfare State."*

This was about as definite a thing as could be said about the law, for, while committees of both houses had struggled with it for months, accumulating thousands of pages of testimony, the working principles of a social security mechanism were never clarified.

## *Evolution*

At the beginning of social security, in 1935, the assumption had been that everyone was, to a great extent at least, responsible for his own security in old age, and that he would pay for it himself, a little at a time by making regular payments to the government. Then, when he needed the money, the government would give it back to him. This was to be a business deal, with the government adding only compulsion.

Immediately a problem appeared. Some people were old already, or were too close to the retirement age to accumulate much under the system. What of those who were too late? If the program was to include them, another idea would have to be added to it. So they became the pensioners, and the public assistance part of the program took care of them, since they had nothing and could no longer provide for themselves.

It was soon evident that others fell into this category, not because of the disablement of old age, but for other reasons. Some of them were included also on the ground of need, their pensions being provided as a matter of right.

In this way the social security program developed in two directions—one on a sort of business basis, the other on the basis of social justice—an act of national sharing whereby the fit provided for the unfit. It was expected that the latter program would gradually disappear to be replaced by the former. As the pensioners died off they would be replaced by people who had been compelled to provide for

themselves by buying insurance from the government. Only a few would be left on the dole.

Social security was that simple. If you did not gag at the idea of compulsion, and if you felt that the government could run an insurance business competently and honorably, then you accepted it.

But in fifteen years of operation, certain other problems appeared. In the first place, the dollar had rotted badly and the pensions had become inadequate. In fairness to those who had paid better dollars in, the benefits had to be increased.

Moreover, while the expectation had been that the system would reduce the number of people on public assistance, the effect had been to increase it. This, it was thought, could be remedied by forcing more people into the system and by making it available to others on a voluntary basis.

But as the system was reviewed with the idea of increasing benefits and extending coverage, social security was discovered to be less elementary than it had seemed at first. In fact, Congress finally passed the new law, knowing only these things about it:

(1) That the revision was necessary because the old law had worked badly and had proved unjust in many cases;

(2) That the new law provided more of something to more people than the original law had provided, and finally

(3) That if there were any errors in the old law, the new one only compounded them.

What the Congress did not know and failed to find out in the hearings or debates were the following:

(1) Whether it could properly be called insurance;

(2) Who really pays for it and how many times;

(3) How much it would cost, and hence whether the nation could afford it;

(4) Whether the trust fund conformed to actuarial principles, and in any case whether the government could be trusted with the money;

(5) Whether any principle of equity could be applied to the law and if so, which one.

## *Is It Insurance?*

The Senate Finance Committee, in reporting the bill, referred to the system always as social insurance. Senator Taft, arguing not about what it should be, but simply what it was, said:

"I regret that we are calling this a social insurance bill. The fact is that the changes that have been made show it is not insurance. Take one thing, for example. Take the fact that we are doubling these payments. If the payments under the old-age and survivors insurance program paid for the benefits, and were intended to pay for the benefits, then certainly we could not double the benefits and maintain that principle. Even

if they paid in enough to get the benefit they are supposed to get under the old system, we are not going to give them twice as much. In other words, we are recognizing in this bill that we have an obligation to pay old-age pensions to people who are old, simply because they are old and not because they paid money into the fund. . . .

"As I see it, the bill destroys the whole theory of insurance. It recognizes an obligation. Under the new start principle, a man who pays in practically nothing will get \$70 a month. Why should we not give the man who does not pay in anything \$70 a month, or at least \$65 a month? As I see it, we have practically destroyed the theory of social insurance. All I regret is that we still use the name 'insurance' when as a matter of fact there is no insurance about it.

"... What I want to point out is that this bill already has gone far toward recognizing the principle of paying to those over 65 years of age a pension, with little relation to what they paid in during their life. In other words, it is no longer insurance. It is something called social insurance. It is not insurance and, at least up to date, this system has not been very social either, because it has covered only a very small portion of the number of people who are over 65 years of age. . . ."

Senator Pepper thought the confusion came from the constant and misleading comparisons with private insurance. He said:

"It seems to me that we may as well face the fact that this is social insurance. It is not private insurance. The people who pay in do not get back in return in direct relationship to what they pay. There is a minimum fixed which does not exist in the field of private insurance. It is fixed because we recognize the necessity of minimum receipts by any citizen in order to approximate a decent level of living. Once we have accepted that principle—and it is a sound principle—why do we stop with a figure that yields on the average \$26 to the retired single recipient?"

Senator Malone thought that social security was not clearly either a pension plan or insurance, but a kind of blend of both, the problem being that to the extent that it was social, it could not be insurance, and vice versa. Senator Malone said:

"Neither the present system nor the one proposed by the pending bill provides either pensions or insurance. Both are hybrid things, with no particular background and no particular objective as to where they are going."

Senator Cain sided with Senator Taft, saying:

"If we are to have a social security system at all, let us have one that free men can accept with self-respect. Let us accept and act upon this bald truth—that our old people, who have done their life's work and have quit, must be helped by those of us who still work. In due time, our children must look after us. Not in the old way of old folks on the farm, but in the same spirit adapted to the institutions of our day—through taxation. Let us have done with this nonsense of a contribu-

tory system, this playing house and calling it insurance."

## *Who Pays?*

While the bill provided that the insurance part of the system was to be financed by equal taxes from employer and employee, there was an uncertainty as to where this tax fell eventually. Senator Taft said:

"The payroll tax, while it seems to fall on the employer and employee, really is pretty generally covered in the cost of production. The wages are calculated on a take-home-pay basis. Of course, what the employer pays for himself is included in the cost of production for everybody in the industry, but it adds to the cost, and the consumer pays it. I believe the National Grange and the Farm Bureau Federation, which were originally opposed to the inclusion of the farmers favor it today largely because they think that the farmer, on the basis of prices paid, is helping to pay for the benefits, and is not getting the benefits."

Moreover, Senator Malone suggested that since the government spent the money received from payroll taxes, it had to tax again when the time came to pay benefits. He said:

"It seems a little confusing . . . that we tax certain citizens who are currently on payrolls  $1\frac{1}{2}$  or 2 per cent, and tax from the employer so much, all of which goes into the Treasury. We then buy federal bonds with that money and pay interest on the bonds. The interest on the bonds is paid by the taxpayers. Then, when the time comes that payment must be made, we cash the bonds, presumably, in order to obtain the money. But when the bonds are cashed we immediately have to sell more bonds to make up the deficit. So, perhaps what actually happens is, we merely assess the taxpayers at the moment and pay currently what we have to pay. It finally featheredges out into the twilight zone, and it is very difficult to determine who is paying for what, and when."

## *What Will It Cost?*

To imagine the costs of the new law, it was necessary to know two things—how many old people there would be in covered employment at any given time in the future and what the benefit level would then be. From there it is simple multiplication. But both these factors are subject to a wide range of error. Senator Butler said:

"Our committee report presents us with a wide range of estimates as to the cost. According to the low cost estimate, benefits in 1990 will amount to \$7,800,000,000. According to the high cost estimate, they will be practically 50 per cent greater, or \$11,700,000,000. In short we are asked to enact legislation on a matter where estimates of cost vary as widely as 50 per cent. . . .

"These are costs, which, according to the committee

estimates, probably can be taken care of by the rising scale of taxes provided in this bill. The difficulty is that since we do not know what the costs will be, we do not know what level of taxes will be necessary to meet those costs. I say that on the basis of these widely varying estimates none of us know whether the tax rates provided in the bill will come anywhere near providing the revenue needed to pay the costs. . . .

"What is the possible sense of making promises covering a period 40 or 50 years hence, which may have to be fulfilled with crushing tax levies? How do we know that private business in 1990 or 2000 will be able to bear such a burden?"

Senator Cain said:

"What all this fancy figure work comes down to is this: The social security actuaries do not know. They will not admit it in so many words—and I can understand that—but the fact remains, they do not know.

"We do know that the number of old people in the country is increasing. We likewise know that if H.R. 6000 passes, coverage will be expanded and the number of oncoming benefit claimants must inexorably expand.

"But whether the social-security-tax income will be sufficient to pay these benefits Mr. Altmeyer does not know, and his actuaries do not know, and nobody on earth knows."

Senator George, the chairman of the Senate Finance Committee, was aware of the uncertainty involved in the problem of cost, but was willing to go on faith. He said:

"The committee is not unconcerned with the eventual liability which this revision of the social security program will place upon the government and upon employers and employees alike, but we have proceeded with faith in America to meet the problem."

## *The Trust Fund*

When they came in the debate to the problem of the reserve fund, Senator Wherry had some questions about it, and he directed them to Senator Millikin, a member of the Senate Finance Committee, as follows:

MR. WHERRY: Is there sufficient money in the fund today to take care of the actuarial liabilities which could be assessed against the fund in the event there should be a liquidation?

MR. MILLIKIN: The answer is no. We started on the theory of a fully funded reserve system, and by one of the amendments to the system, that was changed. What we now have is at best only a partial reserve.

MR. WHERRY: Will the Senator indicate what part that is of the total liabilities which would have to be assumed if the liabilities were liquidated?

MR. MILLIKIN: I do not want to give an off-the-cuff figure, but it would be several times larger than the present amount which theoretically is in the reserve.

MR. WHERRY: That is correct.

MR. MILLIKIN: There is nothing in the reserve until a taxpayer is taxed to pay it off. As I said a while ago, the taxpayer, under wider coverage, becomes the same person as the insured man, and he therefore pays twice.

MR. WHERRY: Does that not also strengthen the argument that the so-called "pay out as you take in" principle becomes almost mandatory?

MR. MILLIKIN: It makes it so at least from a moral standpoint. If we do not want to be deceiving the people, it makes it mandatory. There will always be, I assume, what might be called a till fund or small reserve, to prevent having to come to Congress every year to keep the outgo adjusted to the income. That kind of reserve fund, if we care to call it that, would be necessary, I think, under almost any kind of system that we might have. But the present thing is a fake.

Senator Millikin added later that the trust fund was something that should be examined more carefully. He said:

"We (the Senate Finance Committee) encountered much criticism involving the reserve fund, and received many suggestions of proposals to take the place of the reserve fund. We were not prepared to pass on that question. So we thought that subject should be given further study."

### *Which Principle?*

As the debate progressed, it became more and more evident that social security involved at least two distinct principles, and further, that they were contradictory. Senator George, in his speech at the beginning of the discussion, stated them together. He said:

"By the adoption of H.R. 6000 we can assist the wage earners and the small business man of the country to obtain protection against want in their old age. By continuing the social insurance principles and relating benefits to contributions or earnings, we shall preserve individual thrift and incentive; by granting benefits as a matter of legal right, we shall preserve the individual dignity of our citizens."

But if you considered social security as a matter of right, then the system proposed was still grossly unjust. For example, part-time farmers were kept out only because they were impossible administratively. Senator Aiken said:

"I understand that many people have not been covered—and in this class would fall part-time farmers—simply because the committee has not been able to work out any administrative procedure for covering this large number of people."

Senator Smith of New Jersey liked the insurance idea because it preserved incentive, but recognized a conflict. He said:

"We are attempting here to strike a practical balance

between essential and, to some extent, superficially conflicting principles. We want to provide a minimum security base without destroying incentive."

Then Senator Cain summarized the dilemma as follows:

"The contention is made that the benefit must vary according to the wage that is earned. The greater the wage, supposedly, the greater the benefit. This is the so-called incentive in the system. He who earns more deserves to get more, they say. This incentive is supposed to operate according to some iron law of insurance, firmly based on a formula and a wage record. This is supposed to represent an equity. But this incentive is fraudulent as far as any insurance-annuity theory is concerned, for many beneficiaries pay, along with their employers, only a small fraction of what they get from the system. . . .

"This equity, which the incentive man is supposed to have, by virtue of his taxes paid, is at once violated by another theory, the theory of 'adequacy.' All 'adequacy' means is that if the Social Security Administration stuck to their false contributory system, the lowest paid workers would receive only a miserable pittance. This would never do, they feel, so a portion of the incentive formula is thrown into the trash can and the calculations are arbitrarily changed once more, so that the lowest benefits are raised from a miserable pittance to just a semimiserable pittance.

"In this way phony equity and phony adequacy get cosy with one another."

### *Almost the Townsend Plan*

And so from the confused history of social security, there emerged a strange reversal. The traditionally conservative members of Congress found themselves suggesting that the whole muddle be scrapped and replaced by a system providing old-age pensions for all, to be paid for year by year, out of taxes. That idea had its beginning in the Thirties as the Townsend Plan. Their reason apparently was only this: that people are less likely to tax themselves to death than to bankrupt a future generation by passing on to their children the liability for their experiments in collective security.

During the debate in the House, Mr. Angell, who was one of the original Townsendites in Congress, congratulated his colleagues on "approaching the Townsend Plan," and introduced into the *Congressional Record* the following article from the *United States News and World Report*:

"Pension checks for retired persons will be raised by October.

"Checks for retired man and wife often will exceed \$100 a month. Checks to single retired persons will reach up to \$75 and above for some.

"Retired persons will be allowed to earn \$50 a month on the side.

"Retirement will be made a little more attractive.

Idea of 'ham and eggs,' or '\$30 every Thursday,' promoted in the 1930's, will be about realized. Townsend plan of \$100 a month for every person aged 65 will come into sight. This plan, regarded as crackpot 15 years ago, doesn't seem so remote now.

"Trend of old-age insurance, in fact, is toward the flat-pension idea. It is toward a rather uniform benefit for all reaching a fixed age, with cost to be supported in important part out of general taxation on a pay-as-you-go basis.

"Millions not now covered by old-age pensions will be covered in months ahead.

"Little-business men are to come in. Cost, up to \$81 a year for a pension that someday might return \$121 a month. Lawyers, doctors, dentists, and engineers definitely are left out. They wanted it that way for the time being.

"Housemaids come in. Cost, 1.5 per cent of income up to \$3,600 a year, to be payable both by maid and her employer, but housewife probably will get the bill. Actual cost, \$36 a year on an income of \$1,200 a year. There's this other point: Many housewives now do not report income of maids for purpose of income tax. Maids may prefer income-tax escape to a future pension, but the housewife can't take a chance on that and will be wise to report all income."

The two principal features of the new Social Security law are:

(a) That nearly 10 million more people are brought under its coverage, including domestic servants and baby sitters, 7,650,000 of these new beneficiaries on a compulsory basis, and

(b) That the average of benefits is increased by 77½%.

The increase in the payroll tax is postponed until 1954. The proceeds of the payroll tax will continue to go to Washington. As fast as the money arrives in Washington the government takes it out of the reserve fund till and leaves in place of it its interest-bearing IOU's. Then the government spends the money for general purposes so that all the social security reserve fund has against its liabilities is the government's promise to pay. So far that has worked, and it may work for a while, because so many of the beneficiaries' claims have not yet matured. What will happen when they become payable in full measure is one of the matters in dispute.

As he signed the bill the President said it was good but not enough.

## ECA Light in Europe

Washington

IT IS announced that the Economic Cooperation Administration (the Marshall Plan) will greatly enlarge its information programs in western Europe, especially in France and Italy, where the Communists are strong and "where, it is conceded, there is confusion and doubt about American policy." To the Paris office half a million dollars has been allotted for that purpose.

One of the recent publications of the Paris Office of Information of the Economic Cooperation Administration, bearing its official seal, was a booklet entitled: "Norwegian Labor looks at the United States of America and the Union of Soviet Socialist Republics." This was a report by a Norwegian union labor delegation on its observations in the two countries.

The last paragraph of its conclusions on the United States was as follows:

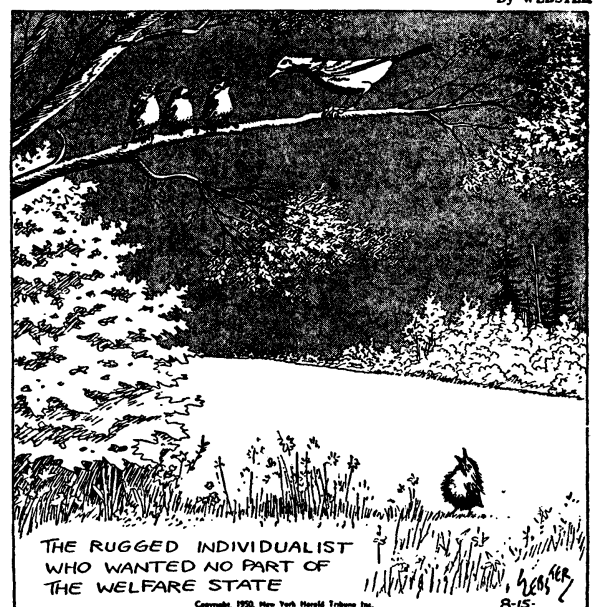
"The country is still wrestling with many and great problems. The country is still in the melting pot. But it is moving *forward* both culturally, socially and economically."

The last paragraph of its conclusions on Soviet Russia was:

"The Russians with whom we came into contact, attached as they were to organizations, management and institutions, were very proud of the Soviet Russian effort during the war and the results that have been

achieved in reconstruction. We have no doubt that they are first and foremost interested in a peaceful restoration and that they have a firm belief that in a few years they will overcome all difficulties unless a war breaks out. Practically all of them were simple and sympathetic people who greatly contributed to strengthen the belief that unless something unforeseen should happen, the Soviet Union will gradually pass into a happier stage of development."

Life's Darkest Moment: : : : : : : : : : By WEBSTER



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# Living on the Atom Bomb

By Winston Churchill

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**W**HEN at midsummer the British House of Commons resolved to debate the state of western Europe's defense against Soviet Russia, Mr. Churchill demanded a secret session, for greater freedom of expression, and was overruled by the Labor Government. Therefore, he spoke with some restraint, knowing more than he could say. Nevertheless, his survey of Russia's vast superiority on land and in the air, plus a U-boat menace ten times greater than Hitler's, brought him to the conclusion that "there is at present no effective defense in western Europe beyond the Channel, and the Russian advance to the Channel or toward it will bring us under air bombardment, apart from the atomic bomb, far worse than we have ever endured," and that "on the sea also we are at a serious disadvantage compared with the last war." At this point Great Britain's position might well be judged forlorn, and a Britisher could only say, "While there is death there is hope." Fortunately, however, there was a fourth sphere of defense in which the United States had enormous and measureless advantage. That brought him to the atom bomb. What he had to say on that subject now follows.—Editor.

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**T**WO years ago I said: "If it were not for the stocks of atomic bombs now in the trusteeship of the United States, there would be no means of stopping the subjugation of western Europe by Communist machinations backed by Russian armies and enforced by political police." Again, I said: "Nothing stands between Europe today and complete subjugation to Communist tyranny but the atomic bomb in American possession."

It is to this aspect that I must now recur.

I would not have asked the government, even in secret session, for the exact numbers of the American offensive forces for using the atomic bomb on Soviet Russia which are located here in this island. However, the Prime Minister stated them on Monday as 10,000 men and 180 planes in three bomber groups. To this, the Minister of Defense added last night that there were fighter squadrons also, so we may be sure that the Russians know the main facts pretty well. It is on this foundation that the Communists base their oft-repeated charge that Britain is an aircraft carrier moored to attack the Soviet Union. It is also, this base in East Anglia, our major defense against the consequences which would fol-

low or accompany a Russian onslaught in Europe, and it is a vital part of the atomic bomb deterrent, which is what we are living on now.

I understand that we have no atom bombs of our own. Considering how far we were forward in this matter during the war—we could not ourselves undertake it because we were under fire, that was the only reason why we did not—and that we earnestly pressed the Americans into it, as my conversations with President Roosevelt in 1942, which are on record, will show, it is remarkable, considering all this, how quickly we were denied the confidence of the United States after the war was over, and how we have never been able in five years with all our own gathered knowledge to make the atom bomb ourselves.

I also said in 1948:

"What will happen when the Russians get the atomic bomb themselves and have accumulated a large store? You can judge for yourselves what will happen then by what is happening now. If these things are done in the green wood, what will be done in the dry? If they can continue month after month disturbing and tormenting the world, trusting to our Christian and altruistic inhibitions against using this strange new power against them, what will they do when they themselves have large quantities of atomic bombs?"

And further:

"The Western nations will be far more likely to reach a lasting settlement, without bloodshed, if they formulate their just demands while they have the atomic power and before the Russian Communists have got it too."

No attention was paid to this. I fully realize the difficulties and the dangers of such a policy and it did not rest entirely with us.

\*

But now things have definitely worsened. It is painful in every respect to be told, as we were officially told some months ago, that the Russians have been able to gain the secret of the atom bomb through Communist traitors in the American and also notably in the British service. But between having the secret and making any large number of bombs, there is undoubtedly a considerable interval.

It is this interval which we must not waste. We must endeavor to make up the melancholy leeway in military preparations which oppresses us today, and we must never abandon the hope that a peaceful settlement may be reached with the Soviet Govern-

ment if a resolute effort is made on the basis not of our present weakness but of American atomic strength. This is the policy which gives the best chance of preventing a fearful war and of securing our survival should it break upon us.

\*

I do not expect that any of the Allies know how many atomic bombs the Soviet Government have yet been able to make, but—here I am only stating my personal opinion—I do not think that they have made many yet, or that their rate of production is at present rapid. As I say, I only candidly state my own personal view to the House. It would be very wrong that the House should attach any undue importance to it, but it is one of the steppingstones upon which my thought advances.

I said to the House two months ago, that if the Americans had a stockpile of, say, 1,000, and the Russians had only 50, and we got those 50, it would not be pleasant. I was surprised that this crude remark did not affect opinion. But then, only two months ago there was a different atmosphere. All these matters, quite wrongly, seemed outside the range of ordinary politics and daily life. Now they dominate the minds of all thinking and patriotic men, and will increasingly do so as the months pass by.

\*

It was stated officially at some Lobby conference with, I think, the Home Office, according to the *Daily Telegraph* of Tuesday, that each bomb costs as much as a battleship. This, of course, is ludicrous nonsense. It might be that the first two or three would cost that amount or more if they were saddled with the whole expense of research and production up to date, but once they were in production the cost would certainly be less than one twentieth or even one fiftieth of a modern battleship. Nevertheless I still adhere to my feeling—I am quite ready to be instructed by those who have the advantages of official information—that so far very few have been produced, and the extraordinary efforts which the Soviet Government are making to obtain even small quantities of uranium seem—I only say “seem”—to justify a hopeful view.

If this should happily be true, there can be no doubt that the United States possesses at this moment a superiority so vast that a major act of Russian aggression is still subject to an effective and even perhaps decisive deterrent. It is for this reason I have ventured on several occasions to express the opinion that a third world war is not imminent, and I cherish the hope that it may still be averted.

\*

I noticed in the Debate on Civil Defense on Monday, at which I regret I was not present, that there was a considerable tendency, not confined to any one part of the House, to minimize the effects of the atomic bomb, and the government have issued a carefully thought out booklet on this subject. No doubt, it is right nearly always to take a robust and cheerful view, but I expect this booklet, from what I have been able to learn of it, looking through it—I have not had time to read it with the attention it deserves—will be more cheering to the Russians than to us, because the atomic bomb is the only weapon on land, sea and air in which the Americans—that is to say the Allies—can possibly have overwhelming superiority during the next two or three years.

\*

I should have thought, therefore, that it was a mistake in propaganda to weaken or discount the deterrents upon those who are already so much stronger in every other sphere except this. We shall need the whole weight of these deterrents to gain us the time which remains while this great advantage of ours endures.

We are, of course, dependent upon the United States both for the supply of the bomb and largely for the means of using it. Without it, we are more defenseless than we have ever been. I find this a terrible thought. In 1940 I had good hopes that we should win the battle in the air even at heavy odds and that if we won, the Navy could stave off and repel invasion until eventually vast air power was developed here which would bring us out of our troubles, even if left alone. But now I cannot feel the same sense of concrete assurance.

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**I** THINK a general government necessary for us and there is no form of government but what may be a blessing to the people, if well administered; and I believe, farther, that this is likely to be well administered for a course of years, and can only end in despotism, as other forms have done before it, when its people shall become so corrupted as to need despotic government, being incapable of any other.—*Benjamin Franklin, on signing the draft of the Constitution.*



# Strangling Our Machine Tools

## A Threat to National Defense

By Tell Berna

General Manager of the National Machine Tool Builders' Association

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**A** MODERN society's machine tool industry is a small but vital gland that controls its growth, and people generally are hardly aware of its existence. Here Mr. Berna tells what has been happening to it since the end of the last war—how Marshall Plan dollars have been used to overbuild the machine tool industry of western Europe, how the European industry subsidized by us has been selling machine tools to Russia, and how meanwhile our own machine tool industry has shrunk to a point at which "its entire active capacity today is so small as to be utterly incapable of attempting any major national defense effort." This is a very important article.—Editor.

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**W**HAT is a machine tool? This question was once asked in all seriousness by a Secretary of the Treasury of the United States. It is often asked by legislators and by newspaper reporters. There are no doubt millions of people in the country who do not yet know what machine tools are, or what they do.

And yet all of the machinery used in modern civilization—whether for peacetime production or for defense in time of war—whether used in the factory, in the mine, on the farm, or in the home—is made on machine tools. In fact, it may be said that all the products of modern industry are made either on machine tools or on equipment which has been made on machine tools.

For these machines cut and shape metal. They work in metal the way a carpenter's kit works in wood. They plane, drill, turn, grind, bore and hone. A carpenter's tools are driven by hand—but it takes machine power to work in steel. Hence the term "machine tools."

Some machine tools are as small as a desk—some as large as a three-story house. In cost they may range from \$75 to \$250,000 or more apiece. In appearance and character they are as varied as agricultural implements, their only common characteristic being that they cut and shape metal.

One reason why machine tools are so little known to the general public is because they are contained within factory walls. Another is that the industry is

surprisingly small in relationship to its importance. The entire United States machine tool industry employs only some 36,000 people. It is composed of some 250 companies, the typical company employing about 150 men.

And yet this little industry is the key not only to peacetime civilization, but to national defense.

### *What Happens in the Event of War?*

In the event of war there is immediate need for machine tools in quantities far above peacetime demand. But machine tools cannot be built overnight. So there is delay.

In 1937 the industry's total output was \$195 million, of which 19.7% represented exports. This was a "normal" year—the depression was over but the war had not yet started. The percentage of foreign shipments was in accordance with past industry experience. This was therefore a fair measure of peacetime demand in that period.

In 1938 the first rumors of war in Europe led to increased machine tool purchases by European countries. In spite of a depression in the United States, the output was \$145 million.

In 1939 foreign war demand continued and American airplane builders increased their orders; and output went to \$200 million.

Then, in 1940, our own defense program began—and shortly we ourselves were at war. Instantly the immediate need for machine tools skyrocketed. Demand far exceeded plant capacity. The industry was faced with the necessity of building new plants and training new men to turn out precision machines which, in the normal course of events, took from three to six months to produce.

But meanwhile there was urgent need for planes, tanks and guns. They could not be manufactured until the machine tool builders produced the machine tools upon which they were to be made. Newspaper headlines reported: "Machine Tools Bottleneck of War Program." The war was literally held up waiting for machine tools.

To machine tool builders themselves, actual accomplishment appeared incredible. They increased

output to \$775 million in 1941 and \$1.32 billion in 1942! In short, they tripled output in two years.

But as war goes, two years is a long time. Fortunately, we had time in the last war. Eventually our superiority of equipment was built up. But what if we had *not* had time? And will we ever have time again?

In view of the size of our postwar machine tool industry, this question is a most alarming one.

### ***The Machine Tool Industry Today***

In the postwar years, volume in the machine tool industry has kept dropping until in 1949 it was down to \$249,150,000—less than one fifth of the wartime peak.

With due allowance made for the decline in the value of the dollar, this means that the industry operated in 1949 at about the same unit volume as it did in 1938.

There were, in the main, three reasons which accounted for this decline.

The first was postwar competition by government-owned surplus machine tools. These machines, many of them almost new, were quite properly sold by the government to American manufacturers. This was one war asset that had real salvage value. While, from the national standpoint, this represented sound utilization of available equipment and recovery of taxpayers' money, it naturally made it very difficult for machine tool builders to sell in any volume until they had developed new, more efficient, more productive models.

These new models, which it is estimated made possible on the average a saving of about one third in production time for the user, were displayed at the 1947 Machine Tool Show. But by that time a second depressant was evident. This was the policy of the Internal Revenue Department with respect to depreciation, which literally imposed a penalty upon modernization.

### ***The Export Picture Before ECA***

The government has insisted that machine tools be written off over periods ranging from 15 to 25 years, the average being a little over 20 years. But with postwar prices reflecting the decline in the value of the dollar, depreciation allowances based upon prewar equipment purchases were utterly insufficient to cover replacement costs. The balance had to come out of earnings after taxes; and many manufacturers hesitated, therefore, to make such expenditures.

The third reason for the industry's decline in volume, however—and the one which, from the standpoint of the nation's welfare, is by far the most

serious—was the loss of a major share of the industry's foreign market, due to ECA policies plus restrictions placed by foreign countries upon the importation of machine tools from the United States.

For a period of many years before World War II, exports accounted, on the average, for about 25% of American machine tool shipments.

Germany had an excellent machine tool industry, and the British industry—although small by comparison to ours—offered important competition. Good machine tools were made in Switzerland and in Sweden. A few were built in France. By and large, however, American-built machine tools were preferred over those of European make. They possessed certain advantages, both as to technical features and as to sturdiness and durability. Because of American labor rates, by comparison to those in Europe, prices were higher. The measure of market acceptance, however, is indicated by our consistent export average of 25% of output.

The war well-nigh destroyed the German machine tool industry, but built up the British. There was little change in France, and Sweden and Switzerland continued to maintain their respective places.

Then came peace, the reconstruction period, and ECA.

### ***Nationalistic Policies***

ECA adopted from the beginning the policy of letting the countries receiving aid decide entirely how the money was to be spent; and as far as machine tools are concerned, such decisions were made largely along nationalistic lines.

Each country said to its manufacturers, "If a machine of the type you want is made here, you must buy it here. We will not give you a permit to import it from America."

The result is that businessmen in England, France, Italy and other aided countries of Europe have been unable to get licenses to import from the United States any of the types of machine tools that are made in Europe. In case after case, they wanted American-built machines because they were definitely superior to those of European make. But they had to buy machine tools of European make, even if they preferred American models.

The only machine tools that American builders have been permitted to sell in Europe are special machines of types not made in European countries.

This is the case whether such machines are bought with ECA money or whether the manufacturer has his own money and does not need ECA help. He may prefer an American model to a British or French model, but if that type of machine is made in Europe, that is where he has to buy it. He cannot get an import license for an American-make machine.

It was obvious when ECA first went into Europe that machine tools were required for rehabilitation. For machine tools not only make the working parts of automobiles, railroad engines, farm equipment, washing machines, telephones, etc., they make the working parts of steel machinery, paper machinery, chemical machinery, textile machinery—in fact, they are basic to the equipment of every industry.

### ***ECA Stimulation of European Competition***

A natural solution might have been to give these countries American-built machine tools immediately. Think how this might have speeded recovery! But instead, ECA yielded to “buy-at-home” policies, which perhaps were a natural aftermath of war hysteria. In any event, what happened was that ECA helped revive the machine tool industries in the war-torn countries, and the matter has now gone far beyond revival.

Before the war, Italy had no machine tool industry to speak of. Today, under the stimulus of ECA, there are more lathe manufacturers in Italy than there are in the United States.

With ECA aid, the machine tool industry is again arising in West Germany.

Meanwhile, with the artificial stimulus of protection against American competition, plus financial aid from ECA, the machine tool industries of France and England—especially England—have not only revived; they are producing at a rate far above what they did before the war.

### ***Machine Tool Shipments to Russia***

The end result was probably never anticipated by the original framers of ECA policy. For the simple fact is that American aid has helped to mushroom British and European machine tool plants to such a point that they are now substantially contributing to the armament of Russia.

We know that England is shipping large quantities of machine tools to Russia and Russian satellite countries.

It is very doubtful whether the economy of Italy warrants the size of its present machine tool industry. But we know that Italian machine tools are finding their way into the Russian orbit.

There is nothing to prevent France from shipping machine tools to Russia. For that matter, there is nothing to prevent the new West Germany machine tool industry, created with our own money, from shipping to Russia. It is well known that it is already shipping behind the Iron Curtain.

American machine tool builders are, of course, prohibited from shipping to Russia. This action was taken by our State Department 2½ years ago. In

fact, only a short time ago, American exports of special machines to Great Britain, Sweden and Italy were held up by the State Department, apparently for fear that the *products* to be made on those machine tools might be shipped to Russia!

From the standpoint of the rehabilitation of Europe, this situation is paradoxical enough. Today, for example, it is very difficult for a manufacturer in England, France or Italy to get quick delivery on a machine tool built in those countries. They *could* get quick delivery from us, but they cannot buy from America. So they have to sit back and wait while machines built in their own countries go to Russia.

American aid to the war-torn countries was supposed to be for the purpose of getting them back on a productive basis. But are machine tools going to Russia helping to produce goods and services for the people of Europe? Instead, the United States is supplying them with food, cotton and other materials, while their productive equipment is being drained off to Russia to build up the potential for another war.

### ***Foreign-built Machine Tools in the American Market***

In 1949, we gave the nations participating in ECA over \$2 billion worth of food, cotton and tobacco. During that year we bought for these countries approximately \$73 million worth of machine tools! And yet it is upon machine tools that are made all the types of equipment necessary to an industrial civilization. Are we helping Europe to get back on its feet, or are we simply keeping them on relief?

But a still greater paradox is involved from the standpoint of our own national defense. This derives from the fact that with the support of American aid, plus protection against American competition in Europe, the machine tool industries of England and Europe are now threatening to invade machine tool markets in the United States.

British machine tools are now being offered in this country at prices far below what American builders must charge for their product. Unless the present situation is changed, we may expect French, Italian and German machines to be offered at a similar price differential, which reflects the lower wage rates in England and on the Continent.

While these machine tools, in many cases, do not possess all of the advantages of American models, they are, in the main, good workable machines. If they can consistently be offered in this country at prices substantially below those which American machine tool builders can quote, it will mean that in years to come we will look to England and Europe to supply a large share of the standard machine tools for the United States, and our own domestic

machine tool industry will dwindle to a fraction of its present size.

Machine tools are basic to national defense. But ever since the war, our own machine tool industry has been forced downhill. Much of its wartime capacity has long since been diverted to other purposes. It is seeking new products with which to supplement its activities. Its entire active capacity today is so small as to be utterly incapable of attempting any major national defense effort.

What will happen if that capacity is still further reduced? What will happen if we have left in this country merely a handful of companies making special machines, and we rely upon England and Europe for the standard types of machine tools, the very types most necessary for war production?

The answer would be that not only we ourselves, but the Atlantic Pact countries, would depend for their machine tools—their first line of defense—upon England, Italy, France, and West Germany, the very countries whose plants would be the first to be put out of commission in case of war.

Would we locate our atomic bomb facilities in England, Italy, France, or Germany? Would we transfer the major share of our steel capacity to England, Italy, France, or Germany?

On the same grounds, it is vital that we preserve here within our borders a certain minimum of active operating machine tool capacity—the minimum required for safety. That minimum must remain where it cannot be knocked out within the first few hours of war. But if this minimum is to be retained, action must be taken.

### ***What Could Be Done About It***

One course of action would be to impose restrictions upon machine tool imports into the United States. For example, we might increase the tariff; or we might apply in reverse the same rule applied by European countries, and say that no American manufacturer can buy a machine tool made abroad if a machine of that type is available in the United States.

Such measures, however, tend to restrict trade rather than further it. It would be far more constructive to change the picture on the other side.

Certainly one thing might be attempted immediately. We should endeavor to persuade foreign governments to permit a manufacturer who prefers an American-built machine, and has his own money with which to make payment, to buy from America. In spite of the handicap of currency devaluation, this would immediately stimulate purchases from the United States because of the preference for American-built machines.

If that step were taken, it would seem only

logical to take the next step—which would be that of permitting a European manufacturer whose purchases are financed with ECA money to get an American-built machine tool if he preferred it.

Certainly it would seem a sounder policy to open up the European market for American machine tools than to close the American market to European machine tools. Let us have more free and open competition, and fewer arbitrary political restrictions.

Meanwhile, shipments of machine tools to Russia should be stopped. If it is a threat to our national defense to have our own machine tools go to Russia, it is an equal threat to have Russia supplied by England, Italy, France, and Germany.

### ***The Double Threat***

Our national defense is being endangered both by shipments to Russia and by the threat of the eventual transference to Europe of the major portion of the world's capacity for the production of standard machine tools.

We have in this country a National Security Council; and that Council has allocated to the machine tool builders of the United States a series of so-called "tentative production schedules" which constitute the first machine tools to be built in case of emergency. If these schedules were to be activated today with the industry at its present low operating rate, it would be utterly impossible to complete them within the timetable set by the National Security Council.

We learned in the last war that the planes, tanks and guns of today are obsolete by tomorrow. We learned that our strength lay in the speed with which we could produce new models—and we learned that this speed depended upon the performance of the machine tool industry. The maintenance of our machine tool industry at at least the level of safety represents insurance against national disaster.

### ***For Normal Times Only***

*The New York Times*

It is probably no exaggeration to say that the private enterprise system has less to fear from hostile foreign propaganda than it has from those who are either unable or unwilling to grasp the fact that if that system is to endure and thrive in normal times then it must be saved from the unnatural strains and stresses of war and other national emergencies, as well as from its own excesses, which have a way of manifesting themselves on such occasions.

# What's in It for Everybody

*Washington Correspondence*



*Title Piece*

TO the Administration's propaganda for the Brannan Farm Plan, the Women's Division of the National Democratic Committee has contributed a sheet of comics. The pieces reproduced here are selected from the series; they are only enough to give the idea, the theme and the method. As with all comics, each drawing is supposed to be self-explanatory and self-contained; however, for the sake of clarity the editor of *AMERICAN AFFAIRS* has put some lines under them.

In the one below there is a bad slip. No "Wall Street gang" had anything to do with the agricultural subsidy laws that have been working so badly. Every farm aid program now in existence has come straight down from the New Deal. For seventeen years there has been no Republican President. Even the Agricultural Act passed by a Republican Congress in 1948 was signed by President Truman.

The Brannan Plan was an invention of this Administration, designed to meet the growing and politically dangerous dissatisfaction of the people

*(Continued on next page)*



*Two For and One Against the People*

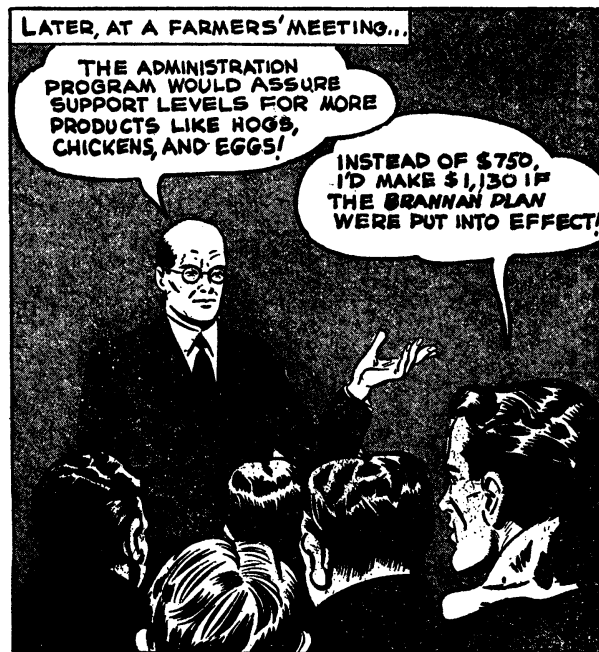


*As It Has Been Working*



*Mary Does Not Understand Billions*

with an agricultural policy for which the Democratic Party itself has been wholly responsible. Under that policy the government guarantees the farmer high



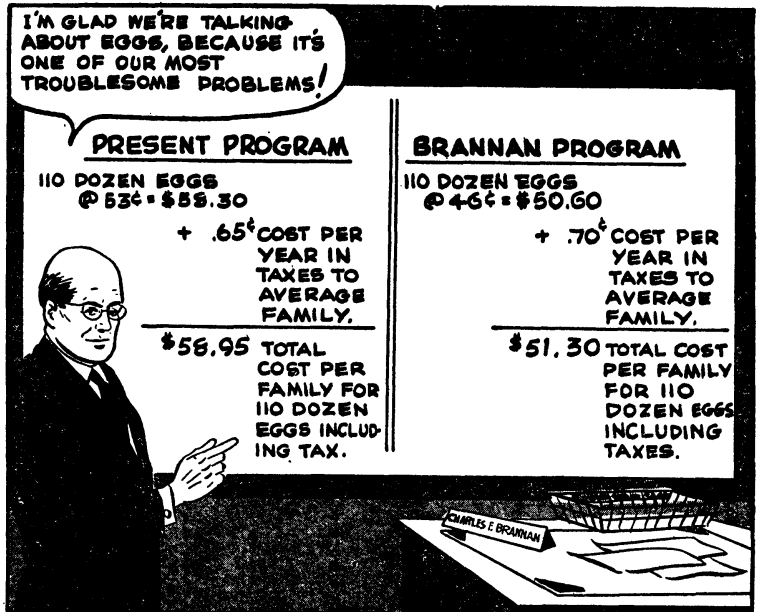
*Secretary Brannan Explains It to John*

prices, and then buys enormous quantities of surplus food to keep it off the market, stores it in caves and warehouses until it spoils, sells it abroad at nominal prices or simply destroys it. Thus the consumer is mulcted twice—once as a consumer having to pay high artificial prices for food, and, secondly, as a taxpayer who has to provide the money the government loses on the commodities it withholds from the market.

One result of guaranteeing the farmer high prices has been that he has stopped thinking about his market. He grows as much as he possibly can, knowing that if he cannot sell it the government will buy it. Thus surplus is stimulated.

Under the Brannan Plan the farmer would be guaranteed, not high prices, but a high income, by a system of so-called production payments. Then he would sell his produce on the market for what it might bring and if it brought less than his guaranteed income the government would pay the difference. So the farmer would get more than ever before and the consumer at the same time would get cheaper food.

All it means is that the government in that case would be subsidizing both the farmer and the consumer, with the taxpayer entirely forgotten.



*And as for that Wall Street Gang—*



*Mary Visits Her City Friends. Why Shouldn't Everybody Be Happy?*

# The Supreme Court's Thoughts on Communism

*A Digest*

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**B**ELOW are excerpts from the judgment of the Supreme Court of the United States upholding by a margin of one vote that provision of the Taft-Hartley Act which requires officers of labor unions to deny communism by oath, under pain of being cut off from the offices of the National Labor Relations Board. Mr. Justice Douglas, Mr. Justice Clark and Mr. Justice Minton took no part in the case. Mr. Chief Justice Vinson delivered the opinion of the Court.

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## The Court said:

**C**ONGRESS had a great mass of material before it which tended to show that Communists and others proscribed by the statute had infiltrated union organizations not to support and further trade union objectives, including the advocacy of change by democratic methods, but to make them a device by which commerce and industry might be disrupted when the dictates of political policy required such action.

\*

The unions contend that the necessary effect (of the statute) is to make it impossible for persons who cannot sign the oath to be officers of labor unions. They urge that such a statute violates fundamental rights guaranteed by the First Amendment: the right of union officers to hold what political views they choose and to associate with what political groups they will, and the right of unions to choose their officers without interference from government. The National Labor Relations Board has argued, on the other hand, that (the statute) presents no First Amendment problem because its sole sanction is the withdrawal from noncomplying unions of the "privilege" of using its facilities. Neither contention states the problem with complete accuracy.

\*

Congress could rationally find that the Communist Party is not like other political parties in its utilization of positions of union leadership as means by which to bring about strikes and other obstructions of commerce for purposes of political advantage, and that many persons who believe in overthrow of the government by force and violence are

also likely to resort to such tactics when, as officers, they formulate union policy.

\*

Although the First Amendment provides that Congress shall make no law abridging the freedom of speech, press or assembly, it has long been established that those freedoms themselves are dependent upon the power of constitutional government to survive. If it is to survive it must have power to protect itself against unlawful conduct and, under some circumstances, against incitements to commit unlawful acts.

\*

Government's interest here is not in preventing the dissemination of Communist doctrine or the holding of particular beliefs because it is feared that unlawful action will result therefrom if free speech is practiced. Its interest is in protecting the free flow of commerce from what Congress considers to be substantial evils of conduct that are not the products of speech at all.

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Speech may be fought with speech. Falsehoods and fallacies must be exposed, not suppressed, unless there is not sufficient time to avert the evil consequences of noxious doctrine by argument and education. That is the command of the First Amendment. But force may and must be met with force. (The statute) is designed to protect the public not against what Communists and others identified therein advocate or believe, but against what Congress has concluded they have done and are likely to do again.

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When particular conduct is regulated in the interest of public order, and the regulation results in an indirect, conditional, partial abridgment of speech, the duty of the courts is to determine which of these two conflicting interests demands the greater protection under the particular circumstances presented.

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Because of the necessity to have strong unions to bargain on equal terms with strong employers, individual employees are required by law to sacrifice rights which, in some cases, are valuable to them. The loss of individual rights for the greater benefit of the group results in a tremendous increase in the



power of the representative of the group—the union. But power is never without responsibility. And when authority derives in part from government's thumb on the scales, the exercise of that power by private persons becomes closely akin, in some respects, to its exercise by government itself.

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We do not suggest that labor unions which utilize the facilities of the National Labor Relations Board become government agencies or may be regulated as such. But it is plain that when Congress clothes the bargaining representative "with powers comparable to those possessed by a legislative body both to create and restrict the rights of those whom it represents," the public interest in the good faith exercise of that power is very great.

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To attack the straw man of "thought control" is to ignore the fact that the sole effect of the statute upon one who believes in overthrow of the government by force and violence—and does not deny his belief—is that he may be forced to relinquish his position as a union leader.

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The unions seek some advantage from references to English history pertinent to a religious test oath. That experience is written into our Constitution in the following provision of Article VI: "The Senators and Representatives before mentioned, and the Members of the several State Legislatures, and all executive and judicial Officers, both of the United States and of the several States, shall be bound by Oath or Affirmation, to support this Constitution; but no religious Test shall ever be required as a Qualification to any Office or public Trust under the United States." It is obvious that not all oaths were abolished. All that was forbidden was a "religious Test." We do not think that the oath here involved can rightly be taken as falling within that category.

### Mr. Justice Jackson said:

(concurring and dissenting, each in part):

**F**ROM information before its several committees and from facts of general knowledge, Congress could rationally conclude that, behind its political party façade, the Communist Party is a conspiratorial and revolutionary junta, organized to reach ends and to use methods which are incompatible with our constitutional system.

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The Communist program only begins with seizure of government, which then becomes a means to impose upon society an organization on principles

fundamentally opposed to those presupposed by our Constitution. It purposes forcibly to recast our whole social and political structure after the Muscovite model of police-state dictatorship. It rejects the entire religious and cultural heritage of Western civilization, as well as the American economic and political systems. This Communist movement is a belated counter-revolution to the American Revolution, designed to undo the Declaration of Independence, the Constitution, and our Bill of Rights, and overturn our system of free, representative self-government.

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Goals so extreme and offensive to American tradition and aspiration obviously could not be attained or approached through order or with tranquility. If, by their better organization and discipline, they were successful, more candid Communists admit that it would be to an accompaniment of violence, but at the same time they disclaim responsibility by blaming the violence upon those who engage in resistance or reprisal. It matters little by whom the first blow would be struck; no one can doubt that an era of violence and oppression, confiscations and liquidations would be concurrent with a regime of communism.

Such goals set up a cleavage among us too fundamental to be composed by democratic processes. Our constitutional scheme of elections will not settle issues between large groups when the price of losing is to suffer extinction. When dissensions cut too deeply, men will fight, even hopelessly, before they will submit. And this is the kind of struggle projected by the Communist Party and inherent in its program.

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By lineage and composition the Communist Party will remain peculiarly susceptible to alien control. The entire apparatus of communism—its grievances, program, propaganda and vocabulary—were evolved for eastern and central Europe, whose social and political conditions bear no semblance to our own. However gifted may have been the Communist Party's founders and leaders—Marx, Engels, Lenin and Stalin—not one of them ever lived in America, experienced our conditions, or imbibed the spirit of our institutions.

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The Communist Party is not native to this country and its beginnings here were not an effort of Americans to answer American problems.

The leaders of the American Communist Party have been otherwise insignificant personalities, without personal political followings or aptitudes for our political methods, adapted by training only to boring their way into the labor movement, minority groups and coteries of naive and confused

liberals, whose organizations they have captured and discredited and among whom they lie in wait for further orders.

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Disguised as leaders of free American labor, they were in truth secret partisans of Stalin, who, in partnership with Hitler, was overrunning Europe, sending honest labor leaders to concentration camps, and reducing labor to slavery in every land either of them was able to occupy. No other important political party in our history has attempted to use the strike to nullify a foreign or a domestic policy adopted by those chosen under our representative system.

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This labor leverage, however, usually can be obtained only by concealing the Communist tie from the union membership. Whatever grievances American workmen may have with American employers, they are too intelligent and informed to seek a remedy through a Communist Party which defends Soviet conscription of labor, forced labor camps and the police state. Hence the resort to concealment, and hence the resentment of laws to compel disclosure of Communist Party ties.

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Congress has conferred upon labor unions important rights and powers in matters that affect industry, transport, communications, and commerce. And Congress has not now denied any union full self-government nor prohibited any union from choosing Communist officers. It seeks to protect the union from doing so unknowingly. And if members deliberately choose to put the union in the hands of Communist officers, Congress withdraws the privileges it has conferred on the assumption that they will be devoted to the welfare of their members.

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It would be strange indeed if it were constitutionally powerless to protect these delegated functions from abuse and misappropriation to the service of the Communist Party and the Soviet Union.

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Our Constitution is not a covenant of non-resistance toward organized efforts at disruption and betrayal, either of labor or of the country.

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But the serious issue is whether Congress has power to proscribe any opinion or belief which has not manifested itself in any overt act. While the forepart of the oath requires disclosure and disavowal of relationships which depend on overt acts of membership or affiliation, the afterpart demands revelation and denial of mere beliefs or opinions, even though they may never have matured into any act whatever or even been given utterance. In fact, the oath requires one to form and express a conviction

on an abstract proposition which many good citizens, if they have thought of it at all, have considered too academic and remote to bother about.

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Attempts of the courts to fathom modern political meditations of an accused would be as futile and mischievous as the efforts in the infamous heresy trials of old to fathom religious beliefs.

\*

Our Constitution explicitly precludes punishment of the malignant mental state alone as treason, most serious of all political crimes. It requires a duly witnessed overt act of aid and comfort to the enemy. It is true that in England of olden times men were tried for treason for mental indiscretions such as imagining the death of the king. But our Constitution was intended to end such prosecutions. Only in the darkest periods of human history has any Western government concerned itself with mere belief, however eccentric or mischievous, when it has not matured into overt action; and if that practice survives anywhere, it is in the Communist countries whose philosophies we loathe.

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How far we must revert toward these discredited systems if we are to sustain this oath is made vivid by the Court's reasoning that the Act applies only to those "whose beliefs strongly indicate a will to engage in political strikes. . . ." Since Congress has never outlawed the political strike itself, the Court must be holding that Congress may root out mere ideas which, even if acted upon, would not result in crime.

Nothing is more pernicious than the idea that every radical measure is "Communitic" or every liberal-minded person a "Communist." One of the tragedies of our time is the confusion between reform and communism—a confusion to which both the friends and enemies of reform have contributed, the one by failing to take a clear stand against Communists and communism and the other by characterizing even the most moderate suggestion of reform as "Communitic" and its advocates as "Communists." Unquestioning idolatry of the *status quo* has never been an American characteristic.

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We cannot ignore the fact that our own government originated in revolution and is legitimate only if overthrow by force may sometimes be justified. That circumstances sometimes justify it is not Communist doctrine but an old American belief.

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The men who led the struggle forcibly to overthrow lawfully constituted British authority found moral support by asserting a natural law under which their revolution was justified, and they

broadly proclaimed these beliefs in the document basic to our freedom.

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The idea that a constitution should protect individual nonconformity is essentially American and is the last thing in the world that Communists will tolerate. Nothing exceeds the bitterness of their demands for freedom for themselves in this country except the bitterness of their intolerance of freedom for others where they are in power. An exaction of some profession of belief or nonbelief is precisely what the Communists would enact—each individual must adopt the ideas that are common to the ruling group.

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The task of this Court to maintain a balance between liberty and authority is never done, because new conditions today upset the equilibriums of yesterday. The seesaw between freedom and power makes up most of the history of governments, which, as Bryce points out, on a long view consists of repeating a painful cycle from anarchy to tyranny and back again. The Court's day-to-day task is to reject as false claims in the name of civil liberty which, if granted, would paralyze or impair authority to defend existence of our society, and to reject as false claims in the name of security which would undermine our freedoms and open the way to oppression.

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I conclude that today's task can only be discharged by holding that all parts of this oath which require disclosure of overt acts of affiliation or membership in the Communist Party is within the competence of Congress to enact and that any parts of it that call for a disclosure of belief unconnected with any overt act is beyond its power.

### Mr. Justice Frankfurter said:

**I**T is one thing to forbid heretical political thought merely as heretical thought. It is quite a different thing for Congress to restrict attempts to bring about another scheme of society, not through appeal to reason and the use of the ballot as democracy has been pursued throughout our history, but through an associated effort to disrupt industry.

\*

Congress was concerned with what it justifiably deemed to be the disorganizing purposes of Communists who hold positions of official power in labor unions, or, at the least, what it might well deem their lack of disinterested devotion to the basic tenets of the American trade union movement because of a higher loyalty to a potentially conflicting cause.

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But in my view Congress has cast its net too

indiscriminately. To ask avowal that one "does not believe in, and is not a member of or supports any organization that believes in . . . the overthrow of the United States Government . . . by any illegal or unconstitutional methods" is to ask assurances from men regarding matters that open the door too wide to mere speculation or uncertainty. It is asking more than rightfully may be asked of ordinary men to take oath that a method is not "unconstitutional" or "illegal" when constitutionality or legality is frequently determined by this court by the chance of a single vote.

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If I possibly could, to avoid questions of unconstitutionality, I would construe the requirements to be restricted to disavowal of actual membership in the Communist Party, or in an organization that is in fact a controlled cover for that party, or of active belief, as a matter of present policy, in the overthrow of the government of the United States by force. But what Congress has written does not permit such a gloss nor deletion of what it has written.

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I cannot deem it within the rightful authority of Congress to probe into opinions that involve only an argumentative demonstration of some coincidental parallelism of belief with some of the beliefs of those who direct the policy of the Communist Party, though without any allegiance to it. To require oaths as to matters that open up such possibilities invades the inner life of men whose compassionate thought or doctrinaire hopes may be as far removed from any dangerous kinship with the Communist creed as were those of the founders of the present orthodox political parties in this country.

\*

The offensive provisions leave unaffected, however, the valid portions of the section. Since the judgments below were based in part on what I deem unconstitutional requirements, I cannot affirm but would remand to give opportunity to obey merely the valid portions of [the statute].

### Mr. Justice Black said, (dissenting):

**B**LACKSTONE recalls that Dionysius is "recorded to have executed a subject barely for dreaming that he had killed him; which was held sufficient proof that he had thought thereof in his waking hours." Such a result, while too barbaric to be tolerated in our nation, is not illogical if a government can tamper in the realm of thought and penalize "belief" on the ground that it might lead to illegal conduct.

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Individual freedom and governmental thought-probe cannot live together.

Crucial to the Court's holding is the premise that congressional power to regulate trade and traffic includes power to proscribe "beliefs and political affiliations."

Since [the statute] was passed to exclude certain beliefs from one arena of the national economy, it was quite natural to utilize the test oath as a weapon. History attests the efficacy of that instrument for inflicting penalties and disabilities on obnoxious minorities. It was one of the major devices used against the Huguenots in France, and against "heretics" during the Spanish Inquisition. It helped English rulers identify and outlaw Catholics, Quakers, Baptists, and Congregationalists—groups considered dangerous for political as well as religious reasons. I cannot regard the Court's holding as one which merely bars Communists from holding union office and nothing more. For its reasoning would apply just as forcibly to statutes barring Communists and their suspected sympathizers from election to political office, mere membership in unions, and in fact from getting or holding any jobs whereby they could earn a living.

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It is indicated, although the opinion is not thus limited and is based on threats to commerce rather than to national security, that members of the Communist Party or its "affiliates" can be individually attainted without danger to others because there is some evidence that as a group they act in obedience to the commands of a foreign power. This was the precise reason given in sixteenth-century England for attainting all Catholics unless they subscribed to test oaths wholly incompatible with their religion.

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Like anyone else, individual Communists who commit overt acts in violation of valid laws can and should be punished. But the postulate of the First Amendment is that our free institutions can be maintained without proscribing or penalizing political belief, speech, press, assembly, or party affiliation. This is a far bolder philosophy than despotic rulers can afford to follow. It is the heart of the system on which our freedom depends.

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Fears of alien ideologies have frequently agitated the nation and inspired legislation aimed at suppressing advocacy of those ideologies. At such times the fog of public excitement obscures the ancient landmarks set up in our Bill of Rights.



## British Socialism Goes Nationalist

THE coldness of the Socialist Government of Great Britain toward the Schuman plan to pool the coal and steel of Europe, or toward any scheme of European unity that would in any way impair Great Britain's national sovereignty has raised to a level of high debate this hitherto avoided question:

Is socialism by nature nationalistic?

The British prime minister was temporizing with the French plan to pool the economic resources of Europe under control of a supranational authority, not wishing to seem to be obstructing European unity, when suddenly the Executive Committee of the British Labor Party, which controls the government, came out against it, saying:

"Some people believe that the required unity of action cannot be obtained by cooperation between sovereign states; it must be imposed by a supranational body with executive powers. They consider that the European countries should form a union in both the political and economic spheres by surrendering whole fields of government to a supranational authority.

"The Labor Party considers that it is neither possible nor desirable under existing circumstances to form a complete union, political or economic, in this way. Instead national policies must be progressively harmonized or coordinated by consent through cooperation between governments. Whether or not this process will ultimately lead to a complete union cannot be foreseen. But it will be enough to solve the urgent problems of the immediate future.

"The European peoples do not want a supranational authority to impose agreements. They need an international machinery to carry out agreements which are reached without compulsion.

"There has recently been much enthusiasm for an economic union based on dismantling all internal barriers to trade, such as customs duties, exchange controls and quotas. Most supporters of this policy believe that the free play of economic forces within the Continental market so created would produce a better distribution of manpower and resources. The Labor Party fundamentally rejects this theory. Market forces by themselves could operate only at the cost of economic disturbances and political tensions which would throw Europe open to communism.

"The sudden dismantling of internal barriers to trade would in the short term cause serious dislocation, unemployment and loss of production. This would sharply widen the dollar gap just when it is most imperative to close it. It would also cause most dangerous social convulsions. Whole branches of industry and whole districts in many parts of Europe would go bankrupt and destitute. Europe today is not strong enough to undergo shock treatment of this kind even if it could

be proved that it would do her good in the end—which is highly debatable.

"Socialists would of course welcome a European economic union which was based on international planning for full employment, social justice and stability. But international planning can only operate on the basis of national planning.

"The fact is that an economic union would require a degree of uniformity in the internal policies of the member states which does not now exist and is unlikely to exist in the immediate future. . . . And even under a Conservative government Britain could not afford the degree of economic *laissez-faire* practiced in Italy or Germany."

This forthright declaration of nationalistic doctrine under British socialism made a great stir in the world of political theory. The British prime minister was embarrassed. He could not repudiate the Labor Party; on the other hand, he was fearful of how the Americans would react, since the Marshall Plan Administration had been very keen for European unity under something like the French plan for pooling western Europe's resources, or if not that, something like a United States of Europe. The American reaction was in fact unfavorable.

One political theorist who was neither astonished nor disappointed was Friedrich A. Hayek, author of "The Road to Serfdom," who had for a long time been saying that socialism was logically bound to be nationalistic. In a letter to *The New York Times* he wrote:

"One of the most popular replies of the 'it cannot happen here' variety made to the critics of socialism used to be that while German socialism was always nationalistic (which is not correct) Western socialism was essentially internationalist.

"We see now how British socialism is driven with inexorable necessity into its nationalistic phase. This ought to have taken nobody by surprise.

"Although Socialist theorists used to believe both in socialism and internationalism, the two ideals are in practice irreconcilable. As has been pointed out long ago, any kind of federalism is a device to limit the powers of government, while socialism aims at a great increase of those powers. For a country in the position of Great Britain to join any scheme of close international economic cooperation would be equivalent to abandoning her socialist aspirations. Without that control over currency, finance and international trade which would, in part, have to be transferred to the international authority, socialism on a national scale is impossible.

"Yet no country on earth would be willing to transfer to a supernational authority those new and untried powers which central economic planning confers. The phantom of a common European Socialist government which would have power, e.g., to subsidize the standard of living of the Italian peasant from taxes raised in Britain, is the last thing the Labor Party could agree to.

"The hard fact is, as I ventured to point out more

than ten years ago, that socialism and economic union of several countries are utterly irreconcilable. The American well-wishers of Europe will save themselves much disillusionment if they will recognize that this position is the necessary consequence of the existence of a Socialist government in Great Britain."

F. A. HAYEK.

At the same time Arnold Toynbee, the eminent historian, now Research Professor of International History at London University, was writing a letter to *The Times*, London, in which he said:

"In the first of your leading articles last Friday morning you refer to those passages in the Labor Party's statement which argue that this country's method of cooperation with other countries must be by mutual agreement between governments freely consenting to determine their actions and their policies according to common and agreed purposes, and you suggest that, in drawing this line beyond which a *rapprochement* must not go, those passages reflect 'both British opinion and the facts of British life in the world.'

"You may be right about British opinion. At many critical moments in the past *The Times* has divined the national feeling below the surface of party politics. But, assuming that British opinion is on the whole as you describe it, I question whether the facts of British life in a world that has now been turned upside down any longer correspond to our traditional British outlook and policy. The cold war, perhaps even more conclusively than the atom bomb, has cancelled the former privileges both of the western community in the world and of Great Britain and the overseas countries in the western community. In the straits in which the whole western community finds itself today the will of an electorate in either our own or any other single western country, in Europe or overseas, might have no more effect in arresting the western community's forced march towards reunion than the insistence of the Court of King Canute had in arresting the advance of the rising tide.

"The national sovereignties that we have all come to take for granted may prove to have been a luxury in which the people of western Christendom, overseas and in Europe, have been able to indulge during a brief 'modern age'—now ancient history—in which we were enjoying an exceptional spell of freedom from external pressure. At any rate, today we are once again engaged in the usual struggle for the preservation of our western way of life. The freedoms in which this consists are applications of Christian principles, and national sovereignty is not one of these. If the people of western Christendom do not subordinate their national sovereignties now with one accord we may lose the cold war. Our choice may lie between winning the cold war by subordinating national sovereignties and forfeiting national sovereignties by losing the cold war. We members of the western community who are citizens of the United Kingdom might be wise to take to heart Cleanthes's admission to God and destiny: 'And if I wince and rebel, I know I shall have to follow your marching-orders just the same.'"

## Review

### *Writings of the Apostates*

WE have now an incredible number of books about communism written by the apostates. All of them say the same things in a curious language of repressed fear and the more you read of it the more you are at a loss for the answer to this simple question: Why do Americans embrace the Communist Party? And this is not the same as to ask why Americans embrace the philosophical idea of communism. That could be understood and there need be nothing alien about it. But an American who joins the Communist Party becomes in fact an alien. He belongs to a political conspiracy aimed at the destruction of American institutions and transfers his allegiance to a foreign dictator. Why? For people of sophomoric or unmaturing minds, especially young people, there may be some excuse. These no doubt find in it the excitement of conspiracy, the thrill of revolt and some childish sense of secret power. But what of the adult-minded—professors, scientists, educators, writers, doctors, preachers, artists? Why do they do it? They cannot plead innocence. In the writings of Lenin and Stalin, in the manifestos, in resolutions, in innumerable party publications, the Communist intentions in the world have been set forth in stark and brutal terms. More than that, all the means both legal and illegal, all the techniques of revolution, all the arts of sabotage, infiltration and deception have been so openly and cynically taught that no person who really wants to know how the conspiracy works could be in any doubt about it. Having read it all in the words of the Communists themselves, one has only to look about and to watch the news to discover it in action. Yet for all of that, it is possible for the American Association of University Professors to declare in the name of academic freedom that Communists have a right to teach, “as long as the Communist Party remains a legal political party.” And the Communist Party is a legal party with access of its own to the American ballot, because the American people so far have been unwilling to outlaw it on the ground that to do so would be an unconstitutional suppression of ideas. Since the barbarians embraced Christianity and put the Prince of Peace on their war banners in place of their pagan gods and went on fighting as before, nothing could have been more improbable than that an evangel of human servility propagated by the most unmoral and ruthless dictator of modern

time should find fertile soil in the only great country in the world that was entirely founded on the doctrine of individual liberty.

In his book, “Men Without Faces,” Louis Budenz says:

“Americans may be experts in mechanical know-how, as is so often said, but they are babes in the woods when it comes to conspiratorial know-how. There is little appreciation of the fact that the basic philosophy of communism makes for the ruthlessness and determination to achieve world conquest—the ‘World October’—that mark the Soviet dictatorship.”

Mr. Budenz is perhaps the most authentic American apostate. He was born in Indiana of German ancestry, took law, became interested in the labor movement, and in 1935 joined the Communist Party with, as he says, “my eyes open,” and “agreed to the oath of fidelity to Stalin.” His account of himself is more persuasive than convincing. He had become acutely aware of racial discrimination and social injustice and began to study Communist classics, especially Lenin, so that when he says he joined the Communist Party with his eyes open he certainly knew what he was doing. Later he discovered that the party was “completely controlled by aliens hidden from the public view,” and this discovery, he says, “was a distinct shock.” He does not explain how that could have been a shock after he himself, on joining the party, had, in his own words, “agreed to the oath of fidelity to Stalin.” At the end of ten years, during which he rose to be managing editor of the *Daily Worker*, he broke with the Communist Party and made his peace with the Catholic Church. He now is teaching in a Catholic university. He devotes one chapter of his book to the “Capture of the Innocents,” which begins:

“Not the least of my official assignments on Thirtieth Street was setting the nets to capture intellectuals and professionals—writers, artists, actors, educators, churchmen, scientists, editors, politicians and the like. As the Thirties advanced into the Forties, this fishing for nonproletarian innocents increasingly occupied a number of leading Reds.

“I watched, fascinated, as men and women of worldwide reputation were duped into carrying out plans laid for them by Stalin’s secret police and special emissaries. Wrap party-line bait in ‘liberal’ phrases and certain celebrities would bite over and over again. There was also help for us in the fact that a great many well-meaning and intelligent men and women, genuine liberals who were independently sympathetic to some of the causes—worthy enough in themselves—that the Communists sponsored, were often too busy or too un-

\* “Men Without Faces. The Communist Conspiracy in the U. S. A.” By Louis Francis Budenz. Harper and Brothers, New York.

suspecting, or both, to investigate the nature and backing of the organizations to which they were persuaded to lend their names. And though in some cases they may have known Communists were also involved, they were too unfamiliar with Communist practices to realize that the comrades were not interested in the cause itself but only in the way it could be twisted and used to further Soviet objectives. Again, many people lent their names to these organizations at a time when our relations with Russia were much better than they are now.

"I was constantly amazed at the facility with which the Red agents operating among the intellectuals escaped exposure, though detection was comparatively simple. Their records proclaimed loudly who they were and what they were up to. Yet whenever their true allegiance was suggested, some reputable newspaper was certain to express indignation at the charge. To many of them the public paid huge royalties, out of which they turned over large sums to the party for subversive work. They hoodwinked their colleagues in the cultural field as easily as they did the public."

The party-line bait wrapped in liberal phrases once got even Harry S Truman, says Mr. Budenz:

"As editor of the *Daily Worker*, in 1944, I reported the formation of the American Committee for Yugoslav Relief. Under this innocent guise, the plan was to help Marshal Tito secure control of that unhappy land. But many persons who are conspicuous as non-Communists helped it along. Mrs. Eleanor Roosevelt became honorary chairman, and among the sponsors were Senator (now President) Harry S Truman."

He tells with much detail how it was done—with what skill and subtlety the Communists made their contacts, created their fronts and got their sponsors, and gives an amazing list of gullibles. Then he comes to those who were not gullible, who knew what they were doing, and there he has to be careful. He makes this startling statement:

"As a matter of cold fact, the Red intellectuals enjoy a peculiar protection from criticism—an immunity which constitutes an injury to the American public, since by record alone each one of them could be known and properly designated. For instance, if I were permitted to, I could name more than four hundred concealed Reds functioning as editorial writers, actors, authors, educators, physicians and the like. I knew them as members of the Communist conspiracy; I was acquainted with them and their records as builders of Communist fronts and undercover workers for Communist objectives. However, our present libel laws, which make it libelous to call a man a Communist, although it is not criminal for him to be one, render it impossible for me to call this roll.

"There is another reason for my silence. If I were to mention these names before a court or commission, there would be such an uproar of criticism as to vitiate any good I might do the nation's security.

"There are for example two rather notable radio

writers who are doing an excellent job for the Communist cause over the air waves. Both of them have been repeatedly signed up for Communist fronts; one of them particularly has belonged to almost every front declared subversive by the Department of Justice. Each time he has expressed surprise that the new front was Red in origin, and has said he was just too busy to know what he was doing. It is interesting to know, however, that he had time to persuade many other writers to join these organizations about which he claimed to know so little. Both of these men are in key positions to confuse public opinion badly.

"At one of the several receptions for the so-called elite of the party which I attended at the town house of Frederick Vanderbilt Field, there were present: a man who has made a notable success in the publishing field, partly in connection with comic sheets but also much more intellectual pursuits; a noted singer who is a kind of hero in certain professional groups; and a writer of books which have enjoyed wide popularity and who was one of the most bloodthirsty in his calls for action against the United States."

To this he adds:

"The American people have been persuaded that much has been done to check the Soviet fifth column in this country; that the various Communist trials and the expulsion of the Communist unions from the CIO have had a real effect. It is a matter of cold fact, however, that the Communist Party with some rearrangements, is just as destructively placed as it has been for some time. From my own knowledge and observations I can say flatly that in the professional, intellectual and creative fields particularly, it is more strongly entrenched than it was when I left the party in 1945."

So he tells how it was done, how in fact he did it himself, and still he does not and cannot explain why it was so easy to do. The question is still unanswered. Why do Americans join the Communist Party? The only explanation he tries comes at the end of the book, when he says:

"Repeatedly we are told that Stalin's promise that 'the warmongers will be defeated' is on the eve of being fulfilled. And that end can be achieved only by applying 'the Leninist science of victory,' winning world Soviet rule. Thus does the 1949 and 1950 world Communist press foretell in the name of peace the early success of war upon America. It is this expectation that keeps alive the fiery devotion of the comrades."

Could it be so simple? That the Americans who join the conspiracy lust for power and prestige in a Soviet America? They might be surprised. In any case, Budenz does not mention that motive when he tries to account for himself.

This is a very important book and one that every anxious American should feel obliged to read. Yet it is disappointing in one way, like all writing by the apostates. There is always something they cannot tell and you are left to wonder what it is.—G. G.



## History by Toynbee

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*The writer of the following criticism of Toynbee's history says: "I looked over some material my son was being exposed to at school. This article is, in part, what I tried to do about what I found. Mr. Toynbee and I have had some correspondence on the subject, though I believe we both maintain our old opinions."*

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NO one will dispute the statement that to preserve our civilization we need first to understand it. Yet few of us in this modern day have the time or the opportunity to arrive at an understanding of it from original research and study. It follows for most of us that we must receive our understanding from others. Who will these teachers be? What qualities should they possess for so important a responsibility?

The extraordinary popularity of Arnold J. Toynbee's "Study of History," combined with his recent appointment at the Institute for Advanced Study at Princeton, gives to his opinions a weight of authority. But shall we accept them without question? And if we do how may we know that we are not misled? It is obviously unfair to condemn a whole work just because it contains some questionable passages, but if a person who is not an historian by profession finds errors in parts of the work, what shall he think of the whole, especially as most of the book deals with things the layman cannot verify for himself? I raise three questions for consideration, and illustrate them from the pages of Mr. Toynbee's book.

The first question is one of fact. As one illustration, on page 146 (Abridgement of Volumes I-VI, by D. C. Somervell), Mr. Toynbee refers to New England and its *five* little states and, in enumerating them, does not consider Vermont as a member of the group. That, however, was merely a prelude to the balance of the paragraph which I quote:

"Maine . . . has always been unimportant, and survives today as a kind of museum piece—a relic of seventeenth century New England inhabited by woodmen and watermen and hunters. These children of a hard country now eke out their scanty livelihood by serving as 'guides' for pleasure seekers who come from the North American cities to spend their holidays in this Arcadian state, just because Maine is still what she was when many of these cities had not yet begun to rise out of the wilderness."

If Mr. Toynbee is not in error, many of us have been terribly deceived by the culture we found at Bowdoin College, the industry of the city of Portland and the marvel of production at the Bath Iron

Works where so many of our Navy destroyers were built during World War II.

Question number two concerns Mr. Toynbee's ability to evaluate his sources of material. Is Mr. Toynbee gullible?

In commenting on our attempt to adjust life to industrialism through sport, on page 306, Mr. Toynbee says:

"The writer of this study recalls two football grounds he visited on the campuses of two colleges in the United States. One of them was floodlighted in order that football players might be manufactured by night as well as by day, in continuous shifts. . . . Round the sides were ranged beds for the reception of exhausted or wounded warriors. On both these American grounds . . . I was told that these boys looked forward to the ordeal of playing in a match with much the same apprehension as their elder brothers felt when they went into the trenches in 1918. In truth, this Anglo-Saxon football was not a game at all."

We may wonder what additional pieces of "information" Mr. Toynbee will learn from the near-by students at Princeton University. They are not known to be lacking in a sense of humor or "good, clean fun" at the expense of the gullible.

So far, I have been discussing assorted trivia. Any study of history, however, unless it is to be considered merely as a source of amusement, should be purposeful. The obvious purpose of such a study is to learn from the record of others how we can best conduct ourselves so as to live decently together. The conclusions a person draws from such a study would, it seems, indicate the quality of their understanding of the subject.

Question number three concerns Mr. Toynbee's conclusions or, at least, his understanding of the words he uses in setting forth his conclusions. To illustrate, on page 291, he says:

"Since the advent of industrialism our modern Western economy has transcended the family unit *de facto* and has therefore logically transcended the family institution of private property. Yet in practice the old institution has remained in force; and in these circumstances industrialism has put its formidable 'drive' into private property, enhancing the man of property's social power while diminishing his social responsibility, until an institution which may have been beneficent in the pre-industrial age has assumed many of the features of a social evil."

To be more specific, Mr. Toynbee might be quoted as saying in effect that private property, including as it sometimes did the lives of slaves, may have been beneficent during the time of Nero, Louis XIV or men of wealth during the years of feudalism and prior to the Industrial Revolution but, now, private property, in the form of life insurance policies, home-ownership or an interest in



private enterprise in the hands of many in our country during the one hundred and seventy-five years since the advent of industrialism has assumed many of the features of a social evil. Do you really believe that is true? To continue, Mr. Toynbee says:

"In these circumstances our society today is confronted with the task of adjusting the old institution of private property to a harmonious relationship with the new forces of industrialism. The method of pacific adjustment is to counteract the maldistribution of private property which industrialism inevitably entails by arranging for a deliberate, rational and equitable control and redistribution of private property through the agency of the state. By controlling key industries the state can curb the excessive power over other people's lives which is conferred by the private ownership of such industries, and it can mitigate the ill effects of poverty by providing social services financed by high taxation of wealth. This method has the incidental social advantage that it tends to transform the state from a war-making machine—which has been its most conspicuous function in the past—into an agency for social welfare."

Does Mr. Toynbee mean to imply that our American industrialism, the product of free men, has developed in America a maldistribution of private property which does not exist in nonindustrial areas such as China, where multitudes have starved and parents have sold their daughters in slavery to provide food for themselves while in their midst a few have lived in regal splendor? Does Mr. Toynbee think that the American Telephone and Telegraph Company, one of our largest key industries (owned as it is by thousands of stockholders with no one stockholder owning more than a small fraction of all the stock), exerts an excessive power over people's lives and that this so-called excessive power would be diminished by government ownership? What is he writing about? His book discusses twenty-one so-called civilizations. Upon reading this paragraph, how can one avoid questioning Mr. Toynbee's understanding of the meaning of the words he uses?

What is the purpose of man on earth as revealed through the record of his triumphs and defeats, his joys and sorrows, his periods of despair and his moments of exaltation? Is his goal the planned economy and security of a hill of ants?

Apparently, Mr. Toynbee is unfamiliar with the word "parsimony" as a term in the study of government. It was Montesquieu who said that "parsimony" was a grudging suspicion and stinginess toward government, and that without parsimony any government would end in despotism as, in that case, the people's disposition to get something for nothing runs precisely in the same direction as the politician's desire to build up a large political organization, to increase his patronage and to have more

revenue to spend. It seems that Mr. Toynbee has not noticed in his studies that a government, to best serve the purpose of those who live under it, should be a servant of the people and that, when a master becomes dependent upon his servant, then, he is no longer a master but the servant. He has failed to see that a generation in striving for spiritual freedom (for freedom of thought and freedom of action) has produced for itself material progress and physical comfort undreamed of by any generation seeking primarily the property of others through a plan of redistribution of wealth or security through employment by the state or charity by means of a government dole. It is not facetious to say that socialism is a method of dividing up more evenly that which will cease to exist because there will be no incentive to produce it.

Mr. Toynbee's reasoning does not appear to have been affected by his knowledge of history nor by any consideration of the lies, brutalities and deceptions in the record of totalitarian states nor any regard for the warning of his contemporary, Dr. Edwyn Bevan, whom Mr. Toynbee quotes, on page 362, in discussing the nature of disintegration of civilizations.

Dr. Bevan, in a letter to Mr. Toynbee, wrote:

"I do not think the danger before us is anarchy, but despotism, the loss of spiritual freedom, the totalitarian state, perhaps a universal world totalitarian state."

G. ALLEN HUGGINS

## *Books for Libertarians*

The following list of books for libertarians has been received from the Caxton Printers of Caldwell, Idaho:

- |   |        |
|---|--------|
| "Land, Labor and Wealth," by Rebecca Evans and Ellen Winsor . . . . . | \$2.00 |
| "The Revolution Was," by Garet Garrett . . . . .                      | .50    |
| "The Return of Adam Smith," by George S. Montgomery, Jr. . . . .      | 2.50   |
| "Our Enemy, The State," by Albert J. Nock . . . . .                   | 2.50   |
| "Letters from Albert Jay Nock," by Albert J. Nock . . . . .           | 3.00   |
| "The Man Versus The State," by Herbert Spencer . . . . .              | 2.50   |

A very nice list.

# We Are All People

## The First Secret of Human Relations

*By Mrs. Jean Shepard*

Director of Executive Personnel for Lord & Taylor

**H**UMAN RELATIONS is such a familiar term that we often fail to grasp its true meaning and implications. In a particular sense, it is everything we do—how we speak to the maid, whether we say “good morning” to the grocery man, whether we obey or control the impulse to snarl back at the bus driver, how we raise our children and how we work out our marriages—because all human beings react very similarly when they are thwarted, when their feelings are hurt, when their pride is touched, when they are made to feel less important. In a broad sense, it implies the problem of living together amicably in social groups so that each individual may be free to develop within the restriction imposed by the needs of the whole group.

In the past fifty years we have learned something about personality needs and why individual people react as they do to the complexities of modern life, but we have somehow failed to apply that knowledge to the problems of group behavior, which in essence are so similar to individual behavior.

### ***Fear of Personal Responsibility***

There have always been fluctuations between a greater emphasis on the individual's freedom on the one hand, and on the social aims of the group on the other. The period of our own revolution, in the individualistic 18th century, was an age in which individual liberty was ascendant. But because individual freedom demands more individual responsibility and maturity there is always the tendency, when responsibility and obligation become burdensome, to shift that responsibility to the group, always at the expense of individual freedom. This has happened over and over again in the history of civilizations, and no permanent way has been worked out by which any group could have it both ways at once.

This choice between the greatest individual freedom and the social aims of the whole group is being made in many countries and cultures today. We hear much about our way of life, by which most of us mean our particular form of democratic capitalism—a social and political system which has given

the greatest individual freedom, the highest standard of living to the largest percentage of the population, and the greatest number of opportunities for the most people that human society has ever known, but a system which by its very nature demands of its individuals the maximum of self-discipline and social responsibility.

### ***Who Will Buy This System?***

Now we are somewhat on the defensive about our capitalistic democracy. We are engaged in trying to sell our way of life to other nations and, strangely enough, to ourselves. As in all selling situations, there must be buyers, and the thing to be sold must have value and must contribute to some need of the purchaser, or obviously he won't buy.

The two basic and fundamental needs of a human being are a certain amount of security and some ego satisfaction—that is, some satisfaction that comes from being recognized as an individual human being apart from all other human beings. In our democratic system, if a greater number decide in favor of group security as against the freedom of choice for the individual, if the prevailing temper is to escape the responsibilities of freedom, just what are we to do about it? If before such a thing happens we can modify our free system so that it gives more security and more creative satisfaction to a greater number, it will have the greatest chance to survive. But the longer the system denies to more and more persons and groups the benefits of that system, the less likely is it to remain intact.

The great philosophical problem is whether these inevitable changes can be intellectually and consciously determined. Will it be possible for intelligent and understanding people whom we look to as leaders to direct these changes toward the constructive goals and values for which this nation was founded—or will the tragedy of this era be that change cannot come from the top, but from the submerged and disgruntled groups and the intellectually cynical?

In the span of our existence as a nation we have made great advances in scientific and material

progress and very little in human and social relations. General Omar Bradley said recently, "The world has achieved brilliance without wisdom, power without conscience. Ours is a world of nuclear giants and ethical infants. We know more about war than we know about peace—more about killing than we know about living."

## *Whether We Eat*

- Our society is dominated by two powerful institutions—government and the economic system. We are all citizens and we are all workers in the broadest sense within the economic system. Of the two the economic system has the greater feeling or emotional value for most of us because it is closely connected with our survival—whether we eat, or whether we attain those possessions which contribute to our comfort, our welfare and our happiness. In times such as these, when our institutions are being threatened and we feel the need to defend our way of life, we realize that our chief problem lies in our relationships with people.

As individuals must determine their responsibilities toward human beings in their immediate circles of influence, so business must do some soul searching to define its responsibilities and obligations to the human beings over whom it has so much economic power.

Solutions are not to be found in vague theories, which at best can only give direction and "climate." They must be worked out by the practical men and women of business. It took England 150 years to abolish the chimney sweep—a cruel and inhuman system of child slavery; 200 years from now will many of the things we do to human beings under the guise of superior and subordinate relationships in business and industry seem just as cruel and inhuman? Will the business and industry of that time look upon us as backward and unenlightened and as having failed to develop the human potentialities of our time?

We hear everywhere that greater production is the answer to our present economic problems. But when we think of production do we think of human beings becoming more skilled, more productive, attaining more of the satisfactions that make all of us better citizens, better neighbors, better parents for the future of our democracy? Do we think of people in a work situation as workers primarily and social beings incidentally?

Our problems in business and industry would be so simple if we could work entirely through machinery. We could select the proper machines and then hire engineers who understood those machines to see that they performed the tasks for which they were made. Such simplicity is denied us because we

must use human beings, their minds and their bodies, to perform the greater part of our industrial tasks. The great problem then is to help human nature fit a business aim. It is an infinitely more difficult task to understand a human being and to get an effective and desired performance from him than it is to understand and run effectively a machine. It means bringing some understanding of the individual worker as a human being, with all his needs, his desires, his hopes, his particular ways of reacting, into the day-by-day employer-employee relationship.

Nor is the entire answer to be found in employing bigger and more expert personnel departments, to select more discriminatingly, to train more diligently and to discipline more strictly. The responsibility lies with management, from the top down to the petty supervisor. The real personnel relations job must be done by the executives and supervisors. The major training job of any organization is that of training its executives in their supervising relationships, in their understanding of people and in their handling of people. Personnel policies are not just the policies of a personnel department. They are the policies which each supervisor or executive carries out in his day-to-day work relationships with people.

Top management gives a lot of lip-service to personnel policies which they are sometimes unwilling to abide by themselves in their relationships with executives on down the line. In large organizations, individual members of management often have vastly different conceptions of their responsibilities in the field of human relations, and different ideas of the best way to handle subordinates, which are reflected in their daily behavior, regardless of company policy. In such organizations there is no enthusiastic teamwork, no central integrity of purpose and policy which sifts down to the individual worker. What is needed is an organization which from the top encourages its executives to understand the human factor, to develop skills in dealings with people in the organization and to develop the kind of organization in which these knowledges and skills can be developed and put to use.

## *Security and Ego Satisfaction*

An understanding of the human being is to recognize the two basic human needs—security and ego satisfaction.

The personal problem of all of us, whether we be executives or so-called workers, is to learn how we may insure to ourselves our survival as individuals, and our impulse will be to achieve the maximum of safety and comfort for ourselves. It may seem a far removal from the child who cries for what he wants to the man who maps out his career in order to earn

a living. Yet both are responding to the same fundamental need.

Many of us enjoy comparative security throughout life. The man with a steady job, a comfortable wage, family and friends, has outward security but there is always present consciously or unconsciously a feeling of insecurity. Such feelings are particularly present in that part of life with which industry has to deal. In the present confused and troubled times general insecurity has been manifest to a greater degree and has put tremendous pressure on individual security. Such insecurity shows up in performance. Few of us are able to do any job well if we are beset by fears and feelings of insecurity, and the quality of our performance improves proportionately as our feelings of security increase.

The second fundamental need is for ego satisfaction. From infancy, human beings tend to repeat and enlarge performances which have brought attention and recognition. Statesmen and poets are as much its creatures as machinists and sales clerks. It provides much of the human drive and ambition. It implies an impulse to survive not only as an organism but as an entity. If a man must live in this world he must somehow make himself felt as an individual. It is the answer to a deep human urge to be somebody, to express one's self apart, to be recognized, to be appreciated. To fail to win such recognition is wounding, while to gain it is profoundly pleasing and satisfying. Business as an important part of our social order is quicker to make demands than to compromise with human frailty.

People cannot be forced to work toward organizational ends. Work should be associated with the satisfaction of personal needs, so that it becomes not a form of punishment but in itself creative, satisfying and enjoyable. Neither can wages, vacations, pensions, recreational facilities and other benefits compensate for the neglect of these basic human needs at work.

### ***What Does the Worker Need?***

When we speak of security it must be borne in mind that there are obviously limits beyond which business cannot go in providing security. There is no such thing as absolute security in business or in life itself. Such security would destroy all individual initiative or, in fact, any growth or development.

What does the worker need in the way of security to enable him to perform to the best of his ability?

1. He wants to feel that as long as he performs his particular job well he can feel reasonably sure of keeping it.

2. He wants a wage more nearly based on his needs for himself and his family.

3. He wants to know where he stands and how he is doing.

4. He wants to be placed on a job for which he is suited and can do well, and be given the proper training and help in learning it.

5. He wants to have a relationship with his immediate supervisor in which there is confidence. He wants a supervisor who knows what his job is, who is interested in him as a person, someone to whom he can go to discuss his problems, who will understand, and, most of all, someone who will treat him with fairness and justice.

6. He wants to get somewhere, or, as the average person terms it, to get ahead; he wants to feel that if he qualifies and has the ability, he will have an opportunity.

Opportunity must also mean improvement for the group. Those who do not want to be leaders and have not the ability must have some feeling of getting somewhere. They must feel that business, through successful operation, will improve their lot; that their opportunity to achieve is in direct ratio to the success of the business that employs them. What helps business will in turn help them.

### ***Security Is Not Enough***

But, for a human being, security alone is not enough. One must have the satisfaction that comes from being appreciated, wanted, needed. To feel that he belongs to a company or business of which he can be proud; that his particular job, however small, is an important one to the whole; that his ideas about his work are important and worth while; that he has had a share or made a contribution to the decisions which are reached that affect him or his job; that he knows why certain policies are formed. Such a person will express himself in terms of "we are doing so and so," rather than "they are doing so and so," meaning the bosses, and such a person becomes for the business the real public relations person, more powerful than any public relations department as such.

I should like to tell you of a problem that was handled by an immediate supervisor. It illustrates how a person can be made productive by the supervisor's understanding of the problem from the viewpoint of the person.

Miss B is a woman past middle age, friendly, capable and cooperative. At first acquaintance, she seemed nearly ideal in her job, which was of some responsibility in the department. She was an excellent stock keeper, knew her merchandise extremely well, and her customer contact was quite satisfactory. However, as you got to know her better, it was noticeable that she was thoroughly discontented

with everything—her salary, co-workers and treatment. She was unduly sensitive to any criticism. She made frequent remarks such as, “No one ever found fault with me until I came to Lord and Taylor.” That remark was made when she was asked merely to explain some illegible handwriting. As a matter of fact, the first time this was mentioned, she cried. She was also unpleasant to other salespeople (particularly new, young girls), but rarely within hearing of the buyer, assistant or service manager.

She made a constant bid for our attention, in a rather childish way, and succeeded in getting herself babied a good deal. She pitied herself and made incessant, unflattering comparisons between the past and present.

### **Good Salvage**

For a good many years Miss B had been a buyer, in another store, of the same merchandise she now sells and was, from all reports, a very good one. Her knowledge of the field was excellent, but she was known as a “tough boss.” She made frequent trips to Europe, lived comfortably and found life enjoyable. She was unmarried, one of four sisters and the pet of a blind mother, whom she adored. With the depression, like a good many others, she lost her job. When she came to us she was touchy. She felt let down. During her first physical checkup a tactless remark about her eyesight and the thickness of her glasses started the first of a chain of fancied insults. Her eyes are not good, she is extremely near-sighted, but only long acquaintance can tell you her dreadful fear of eventually being blind like her mother.

Several months later, her mother died and, of course, Miss B’s whole world of security collapsed. She must have been very difficult to work with at this time because she was given a rating showing her work to be excellent, as always, but her attitude and behavior, poor. This low attitude rating stuck to her for some years, long after it had ceased to be that bad.

Since outright criticism was out of the question, she was babied to some extent and made aware that an interest was taken in her as a person rather than a saleswoman. She cheered up almost immediately, became cooperative and more friendly to the people in her section. Gradually, she was less indulged, more often consulted on the adjustment problems she knew so well and encouraged to teach her wide knowledge of the merchandise to a more than willing service manager.

Miss B became more mature in her attitude at this point and picked up considerable assurance. She was proud of her knowledge, and allowing her

to display it seemed to give back a little of her former “glory.” Since her discontent was lessening, the next step was to change her behavior toward new salespeople. This was done by taking her aside before the new girl was put in her section, giving a brief picture of the person and asking that she take a special interest so that the girl would not feel frightened. She was asked to supervise their sales checks and stock work and told that a young person had to be shown a very friendly attitude in order to feel secure among so many excellent older saleswomen. Miss B responded very well and while she occasionally lapses, on the whole she has matured a good deal. Subsequent ratings have gone up and successive raises have finally made her feel that she is a valued and appreciated member of the department.

Recently, we had reason to be thankful that Miss B had acquired this new outlook. Her eyes had become troublesome and again she began to worry a lot. When her doctors finally told her that she would not necessarily be blind, but that the defect would cut her vision somewhat, she did not go to pieces as expected. She came to us in a mature way, suggesting that we transfer her to a department where eye work is less important, or, as she put it, “I’ll stay here and do my best if you people are willing to string along with me.” She is going to stay. She is still a valuable person, and that part of her work which takes undue eyestrain has been voluntarily taken over by the people in her section. Although her stock duties have been lightened and things made easier, instead of lessening her value, it has actually increased it. She now makes a great effort to do twice as good a selling job to counterbalance any concessions given her.

We must keep in mind that democracy itself rests on the integrity of the individual—so does religion and so must the industrial system. Any form of government or any industrial system that treats people as *means* rather than *ends*, which exalts the state or the institution above the importance of the individual, will not survive.

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**I**N the British socialist weekly, *New Statesman and Nation*, we read: “Mr. Dalton’s relaxations of town and country planning control, described by him as an experiment in freedom, are on the whole to be welcomed.”

This is England, experimenting with freedom; England in the fifth year of a Socialist Government that undertook to create a society both planned and free.

# Size

*By the Honorable Charles Sawyer*

Secretary of Commerce

## I

A FEW months ago, on a farm in central Ohio where two of my sons were employed, a tremendous skeleton was plowed up. It was found to be the bones of an American mastodon. Full grown, this beast stood fourteen feet high, weighed six or eight tons, and with his great curved tusks looked as if he could handle all comers.

What was it, twenty thousand years ago, which caused the death of this big animal?

Was it disease? Was it weakness caused by sloth and idleness, because, being so large, he didn't need to fight? Was it the result of a battle with another beast stronger and more alert—or a battle with many smaller, weaker beasts, individually more alert and in combination stronger? We will never know; we do not have the facts. We do know that he did not die by government decree.

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I am impressed constantly with the need for facts with which to do some clear and basic thinking about bigness in the twentieth century and what it means to the future of our economy. We need more than emotions, or yesterday's facts, or yesterday's standards.

According to the standards of yesterday, many things are too big, including business and government. This has been true for each generation of Americans. We have always had the problem of matching old standards against changing conditions. Accompanying growth in size there must be continuous efforts to find workable balances between the impersonal, centralized power of bigness and the personal virtues and advantages associated with smallness. Both industry and government must be big enough to work effectively, but not so big as to pass the boundaries of human understanding or concern for the individual welfare, rights and freedoms of all Americans. Business, no less than government, must serve the public interest in order to flourish.

\*

We Americans think big. We have pioneered and prospered in a big country with mighty rivers, vast forests, lofty mountains, and sprawling plains. We have built big. At first with big muscle-power and

later big machine-power, we have made dams and docks, highways, railroads, mines and mills, and mass-production factories bigger than those of any other nation. We believe they are better. We rejoice in our growth and look back with satisfaction upon our history of continued expansion. We know the benefits that bigness can bring. We face the world with self-assurance rooted in the power of bigness.

We are greatly impressed by size—by bigness. We have been used to thinking that “bigger” means “better.” On my fact-finding tour last year, I was told at many cities about their marvelous growth. With the population figures frequently came the question: “Isn't it wonderful?” I asked occasionally, What is so wonderful about mere size? Are the people happier? Do they have better homes? Are there more opportunities for useful employment and for recreation that increase the joy of living? It is normal for cities, like many other things, to grow; but is there any real merit in size itself?

\*

While we Americans worship bigness, we are afraid of it. Most of us are apprehensive of the giant corporation, fearful about the large labor union, and have a deep dislike for big government.

As a people we instinctively suspect great power, concentrated in a few hands. We do not wish that a small number of persons should take, wield, or have power to make decisions which affect the daily lives and future destinies of millions of others. We do not like to take chances on the benevolence of despots, private or public.

In our public affairs, we have managed over a period of years to develop workable controls and balances governing the use of power by our elected or appointed officials. The development has been gradual. It has proceeded from accepted principles set forth in the Constitution and the Bill of Rights.

## II

IN the field of industry and commerce, however, concentration of power and large size present many problems. Even discussion is difficult. There is no area of public debate in which is found more plain “bunk.” To arrive at real answers to the

problems which are presented by the growth of private enterprise and the concentration of control, it is necessary to eliminate wild and unsupported statements. The solution is difficult enough without misinformation and downright misstatement of fact.

What facts do we now have? We do know that one of the basic federal statutes governing business performance is sixty years old. We know that the Sherman Antitrust Act was passed when large size was frequently the result of combinations for curbing or corrupting competition.

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Struggles against the sins of absolute economic power have been going on for a long time. In the 1500's there were in England laws against *engrossing*, *regrating*, and *forestalling*. Although the words are strange, the meanings are familiar: cornering the market, acting in any manner to raise the price of food, and buying up commodities on the way to market in order to extract higher prices.

Part of the economic motive for this country to declare its independence from England in 1776 was the desire to escape from monopolistic trade restrictions imposed by the Crown on its Colonies.

By the year 1890, bigness in American business had become another name for badness. The evils of the octopus trusts were evident. The benefits, the economies of large-scale mass production and distribution, were not. If the sponsors of the Sherman Act believed that this law would prevent business enterprises from getting bigger, they were mistaken. Business units have grown to stupendous size.

Standard Oil, reorganized in 1899 as a New Jersey holding company, was capitalized at 110 million dollars. This corporation was broken up in 1911 by a decision of the Supreme Court. Today all but the smallest of the subsidiaries are larger than the parent company. But today Standard Oil companies compete with many other firms eager and able to get business in ever-expanding markets.

International Harvester, an industrial ogre in 1902 with 85% of farm machinery production in the bag, was created by the consolidation of the five largest makers of farm machinery. Although this firm has grown bigger, it is today only one of four top firms in that business, all four of which together in 1947 accounted for slightly over fifty per cent of the output of all farm machinery—in other words, less than two thirds of what International Harvester itself controlled forty-eight years ago.

United States Steel, when formed in 1901 with a capital of slightly over one billion dollars, controlled some 60% of the entire iron and steel capacity of this country. Its control ran as high as 85% in certain branches of the industry. United States Steel has grown bigger and bigger. And yet as of 1947, and probably as of today, United States Steel

controls only a little over 30% of steel output in this country.

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It is currently stated, and believed by many, that the big companies have gobbled up practically all of the little companies. The fact is that between 1940 and 1947 all corporations in the country with assets over \$100 million added only 2.1% by the acquisition of other businesses. Their share of total assets acquired during this period amounted to 0.8% of all industrial assets. Many of the big companies have grown, to be sure, but the large part of this growth has come from retained earnings and new financing.

Furthermore, whereas in 1900 there were approximately 21 business firms for each one thousand persons, in 1949—after all the gobbling up of the little firms was supposed to have taken place—there were 26 business firms per thousand people.

\*

I do not suggest or imply the desirability of relaxing prosecution for illegal mergers to restrain trade. As a matter of fact, the threat of prosecution may have been a deterrent and an explanation of this modest increase. Furthermore, I suggest to big business the wisdom of avoiding even legal acquisition of small companies, when such acquisition would represent nothing more than a good bargain and not any fundamental need.

There are, of course, many very large firms in existence, and their power and operations are vast. We should try to find out honestly and objectively the effect of these large enterprises upon the price-making process, and their influence upon the general welfare.

### III

IS business concentration increasing? On December 1, 1949, I submitted to the Subcommittee on the Study of Monopoly Power of the House of Representatives the first real figures since 1935 on the concentration of output in our 452 principal industries. The figures showed the amount of concentration in the top four companies, the top eight companies, the top twenty, and the top fifty in each industry. Tables indicated the changes observable in concentration ratios between 1935 and 1947 in those industries for which the data permitted direct comparison. Such comparisons were made for the first four companies in 130 of the 452 industries and the first eight companies in 133 of the industries. Lack of comparability in other cases was due to differences in industry classification in the two censuses. In terms of numbers of industries alone without regard to their size or importance, the data show a somewhat larger number of decreases than increases in concentration. In industries with an

output of over \$500 million there were somewhat more increases than decreases, while the reverse is true for industries under \$500 million. Dealing with the change in concentration of the first four companies in the industries involved, there was an increase in 58 and a decrease in 72 of these industries. Taking the first eight companies, there was an increase in 57 and a decrease in 76 industries. These figures indicate some slight increase in concentration in the industries with the biggest companies but no over-all increase for business in general. We do not as yet have sufficient facts to be able to attach significance to these figures.

\*

Businesses grow in size in many ways. We have the single enterprise which starts small—in a basement or a garage—and through successful management, and perhaps good luck, accumulates profits which it plows back into the business. As the demand for the product increases, the business gets bigger. The classic example of this is the Ford Motor Company.

Two supplementary businesses may combine to form a single firm; a producing company may combine with or acquire a distributing company.

Large size may result from a merger of competing firms. For the most part, this is to be discouraged, and where it does lessen competition is illegal and should be prosecuted.

It is well perhaps to point out that there are cases where merger of competitors stimulates rather than restricts competition. If two ailing concerns, each of which is about to fail, can by combination gain enough strength to fight successfully against other larger concerns, competition has been strengthened and not weakened by the merger.

\*

Concern about bigness comes from within as well as from without business itself. Many years ago, Alfred P. Sloan, Chairman of General Motors, stated: "In practically all our activities we seem to suffer from our great size. There are so many people involved and it requires such a tremendous effort to put something new into effect that a new idea is likely to be considered insignificant in comparison with the effort it takes to put it across. Sometimes I am almost forced to the conclusion that General Motors is so large and its inertia so great that it is impossible for us to really be leaders."

There are attacks on bigness merely as bigness. Some political scientists have contended that political democracy and economic oligarchy cannot live together in the same country. They argue that if business gets too big and centralized the result will be that business will take over the government—which is fascism—or that government will be forced

to take over business—which is socialism. Strangely enough, most of these benevolent guides of our economy see no danger in bigness in labor, although the concentration of power is far more absolute and the increase in concentration clearly more definite.

\*

It is also contended that large size, in business and government, results in centralization of decision-making, in a very few leaders and a great mass of order-takers; that denial of responsibility tends to turn men into robots, and to decrease their desire for adventurous exercise of self-reliance and initiative.

Lastly, there are what we might call the sentimental objections to bigness. There are the wistful wishes to get back to "the good old days" of small government, small businesses, small unions, and a nation of neighborly small towns.

These attacks on bigness have been made so many times that they have become part of the folklore of the American people; and each point has a certain merit.

## IV

**W**HAT do we want to do about size? What can we do about size? If we attack size in business and government, shall we ignore it in other fields—labor, for instance? Is a big corporation a menace and a big union a blessing? Is a big co-op a menace or a blessing?

\*

There have been many measures proposed by persons or groups who allege that if their particular panacea were adopted the problems of bigness and the concentration of private economic power would vanish.

One suggestion is that the government take over and run our giant industries. The adoption of such a drastic suggestion would not solve any of the basic problems of making a large organization work, nor would it answer the social objections to centralization of decision-making.

\*

Another formula for solving the problems of large size in industry consists of two parts: "Break the big ones down into little ones," and "Set some upper limit to the size of any enterprise." These suggestions deserve careful and serious consideration. It is probable that beyond a certain point the increased efficiency and the increased opportunities for research enjoyed by big corporations no longer exist.

A third major proposal, very attractive at first hearing, is "Let an enterprise be big enough to be efficient, but no bigger."

How will "enterprise" be defined? By name? By ownership? By the amount of real control and direc-



tion exercised by top management and the Board of Directors?

\*

And what is "efficient"? It might be possible to calculate the efficiency, from a unit-cost standpoint, of a single firm in a single plant using the very latest type of machinery, plant layout, and operating methods to produce a *constant volume of a single item*. How many such firms exist? How do you calculate the efficiency of a firm producing many different items, some items for which the market may be declining, others coming out in an expanding market, and still others in an embryonic state and for which there is as yet no market at all?

\*

It might also be well to investigate the matter of incentive in connection with business concentration. What are the incentives to newspaper concentration? We get an illuminating reply by quoting Thomas W. Dewart, former president and publisher of the New York *Sun*, at the time of the merger of the *Sun* with the New York *World Telegram* on January 4, 1950: "Mounting costs of production, unaccompanied by commensurate increases in advertising revenues, have made some such course inevitable. Chief among the rising costs have been those of labor and newsprint. . . . In the ten-year period from 1939 to and including 1949, the average advance in individual pay of the *Sun's* employees was 80.1%. In the same period, the price of newsprint rose from \$48 a ton to \$100 a ton. Prices of all other supplies increased in corresponding ratios. . . . Recently advertising revenues of the *Sun* and the *World Telegram* have not kept pace with mounting production costs. Both papers have long appealed to a literate and intelligent public. Between them they have divided approximately 650,000 circulation—enough to assure the economic stability of one newspaper, but not enough for two."

\*

It is clear enough to me that we need all sizes of business in this country—big, little, and in-between. Much of the research, production and distribution which have made us great industrially can only come from the concentration of financial strength and contacts which are the privilege of big business, so-called.

My own feeling is that the most sensible approach to the problem of concentration is an effort to strengthen small business and to help it grow—and grow stronger. We are inclined, I think, to exaggerate what can be done to help small business, but I am thoroughly in sympathy with the effort to do everything which we can.

\*

Here too, of course, some myths should be removed. Many people have attended the premature

funeral of small business. The fact is that of the 3,900,000 business units in these United States about 95% are small business, and until the year 1949 the number of small business units had grown steadily and dramatically. The slight reversal of this trend in 1949 should give us pause. This statistical exposure and my contacts with businessmen over the country during the year 1949 lead me to the conclusion that the tougher competitive battle which businessmen face today is having its chief casualties among the little fellows.

## V

WE must ask ourselves this fundamental question: When everything else in America is getting bigger, shall we expect business to get smaller? And if we expect or wish it to get smaller, why? In comment upon the first question, it is proper to point out that every economist giving thought to our future progress emphasizes the need for a continually growing national product. Our population is growing, our number of employables is growing; to meet the needs of our population and give work to those who want it, business must grow.

If growth is desirable generally, is it undesirable in particular places and how can we prevent it or why should we want to prevent it? There is nothing sacrosanct about a corporation—big or little—nor is business entitled to any special privileges. If, however, we undertake to interfere with the processes of growth, some inquiries are in order.

Business, as I have said before, is somewhat like the human anatomy. It is an organism, tough to be sure, but in many ways very delicate.

What are the symptoms which indicate a malfunction? Specifically, what is wrong? We hear occasionally the statement that concentration of economic power is destroying our liberties. It is proper to ask what liberties are being destroyed. We hear that small business is being crushed out. What businesses are being crushed out?

Let us continue specific questions. In what way is our business body not functioning properly? Is it failing to maintain or raise our standard of living? Is it selling its products at fair prices? Is it giving employment at good wages? Is it considering the welfare of its employees? Is it earning money for its shareholders? Is it contributing its share of taxes for the support of the government? Is it doing its part in time of war?

These and many other questions should be asked and asked searchingly. They should be asked and answered—first, to enable us to act, when action is necessary, on the problem of concentration; second, to dispel baseless rumors and unfounded assertions which worry many sincere and well-intentioned people.

# End of the Voluntary Life

\*By Donald R. Richberg

## I

THE so-called Welfare State is not an assured force for good merely because it proposes to organize a nation for universal service to the general welfare. These were the proposals of Hitler, Mussolini and Lenin. These are the proposals of all socialists and dictators of the modern world. On the other hand modern free-enterprisers do not propose to organize a nation merely for the profit and glory of a favored few. That concept of a "free economy" and the "survival of the fittest" is as dead as the dodo.

We will make more progress in our efforts to develop government in the service of the common good if we assume that this is the aim of both the socializers and the free-enterprisers; and if we then debate the real issue, which is:

What extent or limitation of government regulation of industry will be most effective to advance the general welfare?

What is called the Welfare State may be defined as a government which assumes the direct and unlimited responsibility of assuring to all citizens a decent livelihood and financial security against the hardships that may result from unemployment, ill health, disability or old age. Such a responsibility cannot be met without giving to the government power to plan and control the operation of all productive enterprises and the distribution of all income and products in conformity with government requirements. In such a Welfare State the function of all private associations which are engaged in, or affect, production or distribution must be to act as instruments or agencies of the government in meeting its assumed responsibility.

Even those who oppose the development of such a Welfare State ought to concede that it is the responsibility of our government to establish an adequate legal structure for a society of men and women who are living and working together for mutual protection and correlative gains. But, this legal structure should be an authentic House of Voluntary Cooperation in which citizens can organize and operate voluntary associations through which the opportunity to earn a decent livelihood and to gain financial security against hardships will be assured. The opponents of the compulsory Welfare State (a few million surviving "libertarians"! ) believe that when

political force is used to *compel* men to associate, and to operate their associations, in conformity with political programs, then the inherent vigor of a free people and a free economy is destroyed. They believe that our material progress will be retarded by this loss of vigor far more than it can be advanced by the disciplinary efficiency of compulsory cooperation. They are sure that our spiritual progress will become a spiritual retreat.

## II

A GOOD example of the two opposing concepts of government is found in the choice between government *protection* and government *control* of labor organizations. It has been our governmental policy for many years to protect labor unions from destruction by, or subservience to, the economic power of large employers. In order to promote an equality of bargaining power labor unions have been aided by law to organize wage earners in such numbers that they could confront employers with a choice between paying good wages or being unable to operate their properties.

The economic powers of employers and of organized employees have been abused by both; but so long as neither could dominate the other the principle of voluntary cooperation has been maintained. The government has always had and should exercise a police power to correct these abuses—and even to require both parties to break deadlocks when their inability to agree becomes seriously harmful to the national welfare. But the use of police power to restrain and to punish wrongdoers is utterly different from the use of police power to conscript and to reward right-doers.

If, however, the government should assume an unlimited and direct responsibility for the wage earner's livelihood and security, government wage fixing would become a continuing and imperative duty. Then the fixing of a wage for any important group of workers would require the equalization of wages for all other groups, and, inevitably, the determination of reasonable prices for consumers and of reasonable compensation for the owners of properties which are used to provide employment or shelter or services for the workers.

We cannot forget that an underlying factor in the cost of living is the cost of products of the soil, the food, the fuel and the raw materials of industry that are the products of agriculture, forestry and mining.

\* Address at Harvard University before the Conference on the Welfare State.

The largest factor in all costs is labor cost. How could a government assure a decent livelihood and employment to industrial wage earners without controlling all the other labor upon which the welfare of industrial workers depends? It should be evident to industrial labor that a Welfare State cannot meet its responsibilities to all the people without subjecting all the people to detailed regulation of the working and living conditions of all.

### III

**T**HE inevitable march of political control is now clearly forecast in the recent official proposal of our nascent Welfare State to guarantee an income to farmers. But what value would a guaranteed income have for farmers if there were no accompanying guarantee of the purchasing power of that income? How can a farmer's buying power be guaranteed unless there is a control of the prices which a farmer must pay for what he buys? How can industrial prices be controlled without a control of industrial labor?

The difficulty of persuading labor unions to support a Welfare State, which would enslave them, was met by the Socialist leaders of the Labor Party in Great Britain by promising a miracle.

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

Three years later, despite all its good intentions, the Labor Government had to announce the issuance of directions compelling men to remain in mining and in agriculture.

Of course there is no fair comparison between the cruelly enslaved labor of Russia and the gently "directed" labor of Britain. It would be silly to prophesy that an American Welfare State would promptly enslave the industrial workers and the farmers who voted it into power. That would be as silly as calling the Taft-Hartley Act a "slave law." But it is even more silly to contend that a Welfare State can fulfill its promises, and guarantee a decent livelihood and financial security against hardship to all able-bodied citizens, without exercising a supreme authority to plan and direct the operation of all major industries and to determine the proper compensation and working conditions for all essential workers.

### IV

**A**DVOCATES of the Welfare State insist that political programs backed by the coercive power of government force are necessary to advance the general welfare.

Then why are they so anxious to pretend that there will be no use of force to regiment the workers into the service of a police state?

Why do they not admit the truism that the promise of economic security through a politically planned and directed economy is a promise to use force to compel obedience to government directions?

Why do they not offer their bribe to wage earners and farmers in plain terms, which would be: "Give us your votes and, as the political representatives of your organizations, we will run the Welfare State so that your members will be left free from compulsory service and yet have economic security provided by taxing and coercing the rest of the people"?

The reason that there is no such candor, no such fundamental honesty, in the Welfare State program is that, when clearly explained, it becomes evident that the nascent Welfare State must become eventually a State of National Socialism, or else engulf us in the most calamitous depression of our history. It is no defense of National Socialism to assert that a complete socialization of our political economy might at least make it financially possible to maintain an orderly society under rigid control of a national police. But the attempt of a government to eliminate the incentives and profits of private enterprise, while relying on the taxes and capital produced by private enterprise to sustain its operations, is foredoomed to failure.

The major part of all taxes are, and must be, paid by persons of small or moderate incomes.

As the voters become too much exhausted or exasperated by increased direct taxation of incomes, political spenders resort more and more to indirect taxes, concerning which millions of people are either ignorant or strangely indifferent. The indirect taxes paid today by the average family have been carefully computed to exceed \$700 per year. When direct taxes on small incomes are added, it becomes a proved fact that the average wage earner's family is already paying over \$1,000 a year for the support of an infant Welfare State that has only just begun to bite!

### V

**A**NY competent student of the fiscal and operating problems of the infant Welfare State must see that, with the development of its vast public projects, taxation will become so confiscatory, the regulation of management and labor so detailed, private property rights so reduced, and private enterprise so smothered by political controls, that the emergence of the mature Welfare State as a State of National Socialism is inevitable.

Apparently the concealed justification for taxing people so that the government may spend their individual earnings to advance their individual wel-

fare is that the masses of the people are morons who should not be trusted to spend their own money. It is assumed that they should be glad to have their money spent for them by professional politicians trained and experienced in the art of spending other people's money. Of course this argument isn't made openly because even humble people resent being treated like children. So they are told that they are made more secure by investing their money with politicians than with businessmen. Businessmen are pictured as cold, greedy, fat exploiters, while politicians are those genial backslappers who call you by your first name and work day and night to find ways to buy things for you with your money which you wouldn't buy for yourself.

There are many things of common use which may wisely be paid for through government, such as roads and parks and common school facilities. But the Welfare State proposes to take more and more of a man's earnings to buy things for his *individual* use which he ought to be free to buy less or more of according to his individual need or desire. It proposes to substitute a common standard of living and a common, compulsory pursuit of happiness for the individual rewards and the individual pursuit of happiness which have inspired the American people to raise themselves through voluntary cooperative enterprises to the highest standard of living, coupled with the greatest individual liberty, ever enjoyed by 150 million human beings.

But why shouldn't you buy your own health insurance, or any other insurance against misfortune, from your own selected insurance organization? Millions upon millions of people have done it. Why shouldn't you organize voluntary cooperatives to buy and sell things for you? Millions of people all over the world have done it. Why shouldn't you use your own labor organizations to provide unemployment insurance either alone or in cooperation with employers? Labor unions can pay strike benefits when men refuse to work; why should they not pay benefits when men are unable to find work?

## VI

**T**HE point which I am trying to make briefly is that the major offerings of a Welfare State are simply offerings to do for you what you can do better, more cheaply and with greater satisfaction, for yourself. In so doing you can save yourself from dependency on political favor, political integrity and political wisdom, those three weak reeds upon which no man who has common sense and a knowledge of history will ever wish to become dependent. Three weak reeds upon which no man who has a backbone of self-reliance will be willing to lean.

If, on the other hand, we were resolved to preserve

the proved vigor and productiveness of a system of private enterprise, we have ample evidence that we could meet our social responsibilities without accepting a compulsory socialism. We could go forward patiently to expand the cooperative powers of our present private, voluntary associations. The government would lend its aid in legalizing such collective projects as the organization of corporations, cooperatives, trade unions and trade associations; and the government would impose such restraints as are necessary to prevent private monopolistic controls of commerce and to preserve competition and a free purchasing power as the natural and impartial regulators of prices and production.

Furthermore, it should be accepted that, in the emergencies of war, national disaster, or serious economic disorder, the government should take such action as is temporarily necessary to develop and make effective the maximum power of our nationally organized resources to meet the emergency demands upon them. But it should be our established doctrine that such political controls of our lives and work are fundamentally evil, like fighting fire with fire and bullets with bullets. We should make it an everlasting rule to end political tyranny and denials of individual liberty just as soon as the emergent calamity that enslaves us has been overcome.

There are two major excuses for substituting political support for self-support, and political discipline for self-discipline, which merit brief discussion.

One is the excuse that because some men make too much money out of others, they should be compelled by taxation to share their gains with those whom they exploit; or, because some localities are more prosperous, their gains should be shared with poorer localities. Let us disregard the counter-argument that the forced service of the more competent to the less competent, and the leveling down of humanity to a common standard of living, is not a democratic but a communistic doctrine. Nevertheless, we may well agree that the exceptional profits of fortunate individuals or favored communities should be taxed away to maintain the common defense and to promote the general welfare. But, it is a proved fact that if every dollar of income in excess of a fair compensation for personal services, or for the use of private properties, were siphoned into the United States Treasury, this would provide only part of the federal revenue needed to pay for national defense, national administration of justice and national expenditures for public works of general value. A major part of all essential public revenues must be obtained by a direct or indirect tax deduction from the earnings of the great mass of workers of small or moderate incomes. So the revenues of the expanding Welfare State will necessarily come from increased deductions from the earnings

of those who are the proclaimed beneficiaries of this additional government spending.

The second excuse for a paternal collection and spending of a worker's earnings is that voluntary cooperation will fail to advance the welfare of the cooperators as far as compulsory cooperation would. It is argued that the thriftless or unfortunate who most need protection will not or cannot insure themselves. It is also argued that in any industry a chiseling minority will break down the best devised programs for preserving an ideal balance between producing and consuming power. As one of the administrators of the notable NRA experiment, I am familiar with these arguments and believe that I can appraise their merits with the aid of an unusual amount of experience and with, perhaps, an unusual impartiality of judgment. I still believe in the voluntary self-government of industry, which was the announced objective of the NRA. I never believed in the compulsory political government of industry which NRA dabbled in, while floundering down the road to Limbo.

There will always be chisellers and black marketers to sabotage and subvert every cooperative program of private associations or political governments. But business and social ostracism is more effective than criminal prosecution to discipline recalcitrants. There is always some sympathy for the rebel against government who asserts his right as a free man to live and work as he pleases. There should not be the same sympathy for the cheat or sharper who will not abide by the rules of fair play adopted by his neighbors and co-workers. And so, to gain an undeserved support, the business cheater always poses as a little David fighting the Goliath of Monopoly.

The American people are rightfully afraid of monopolies, but they have been educated to recognize only a business management monopoly. They tolerate labor monopolies that curtail production, create scarcities and raise prices with a ruthlessness that no business management monopoly ever dared to exhibit. They are being seduced into approval of the oppressive monopolies of a Welfare State, although for centuries the common people of every nation on earth have been fighting to free themselves from compulsory service to government monopolies operated by political tyrants.

## VII

ONCE upon a time it was the supreme law of our land that there was no "due process of law" by which our national government could deprive a man of the liberty to support and protect himself and his dependents by his free labor and his free use of his own earnings. The government could only tax him to support the strictly limited powers of the government to provide for the common defense and

the *general* welfare. It could not tax him to enable the government to take care of his *individual* welfare or the *individual* welfare of his neighbors. It could not deprive him of his "unalienable right" to take care of himself, or to make a fool of himself.

But, today, following the socialist dogma that the individual citizen should be made the bond servant of the general welfare, the courts have invented a new "due process of law" with which the national government can deprive a farmer of the right to raise grain on his own land for his own consumption, unless he obeys government orders limiting the amount of grain he can raise and fixing the prices at which he can sell it. Today, the national government, by using this new "due process of law," can deprive a worker of the right to spend, to save and invest his own earnings as he wishes, for the economic support and protection of himself and his family. He can now be compelled to pay taxes which transfer a substantial part of his earnings to the government so that it can then provide such protection for him and for others as the government decides to be for the general welfare.

If ten to twenty per cent of a man's subsistence earnings can be taken from him today there is no legal barrier against taking from him thirty to forty per cent tomorrow, which, according to British precedents, will be required to support a young Welfare State. In such a political economy, of what use will be private, voluntary associations, except to serve as pressure groups to try to elect and control public officials so that, in the political distribution of a worker's earnings, he may get back as much as possible after paying a few million political employees for spending his money for him?

For such lowly and limited functions private associations may survive in the Welfare State. They may also serve to maintain the illusion that we are a free people, free to organize, to debate, and to petition the government for the redress of grievances, subject, of course, to laws restricting and controlling lobbying and propaganda, so that a dominant political party will not be unduly hampered by a too vigorous opposition.

It would not be accurate to define associations as "private" or "voluntary" which are, and will be, organized and maintained by political aid to make effective government regulations. Such associations might well be compared to "company unions," which national trade unions have always denounced as mockeries of voluntary organization.

Private, voluntary associations, as an influential factor in our political economy, will not and cannot survive in a compulsory Welfare State. Their powerful influence in the expansion and enrichment of our American way of life will disappear in the politically planned and directed economy of National Socialism.

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*American Affairs Pamphlets*

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*By* WALTER H. JUDD

Member of Congress

*(Supplement to the Autumn Number, 1950)*

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