



# The Economic Record

A Conference Board Publication

## CONTENTS

<b>Review and Comment</b> .....	31
<b>Government</b> .....	32
Some marginal utterances	
<b>Does American Business Want Free Enterprise?</b> .....	33
Reactions to a question sent forth by THE CONFERENCE BOARD	
<b>Looking at England</b> .....	40
Notes from the travel diary of an American	
<b>A Kansas Manifesto</b> .....	43
<b>Let Us Tell Them the Truth</b> .....	44
A speech by Virgil Jordan	
<b>Two Shapes of Thought</b> .....	47
<b>Planned vs. Free Markets</b> .....	50
By Mordecai Ezekiel	
<b>In Europe's Footsteps</b> .....	54
A lawyer's parallel	
<b>British Ideas of the Cartel</b> .....	55
From a debate in the House of Lords	

NATIONAL INDUSTRIAL CONFERENCE BOARD, INC.

247 Park Avenue      New York 17, N. Y.

July, 1944

Vol. VI, No. 2



## Publications of the National Industrial Conference Board

**The Economic Almanac** (published annually)

**The Management Almanac** (published annually)

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**The Conference Board Business Record** (monthly)

**The Conference Board Management Record** (monthly)

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# The Economic Record

GARET GARRETT, *Editor*

JULY, 1944

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VOL. VI, No. 2

## Review and Comment

IN THE May number of the *Federal Reserve Bulletin*, official organ of the Federal Reserve System, there is an article on "Jobs after the War," by E. A. Goldenweiser and Everett E. Hagen, of the Division of Research and Statistics. As an economic study its excellence is what you would expect. But it is much more than that. The perfect title would have been: "What We Must Do to Save Our Institutions." The editorial committee probably thought of that title and ruled it out on the ground that for the *Federal Reserve Bulletin* it would be too strong. Nevertheless, the article begins with an ominous political verdict, stated in the first paragraph, as follows:

"Maintenance of employment is the principal single economic objective that will have to be achieved if the existing system is to survive. . . . The choice is between high production, high employment, and general prosperity—and falling production, serious unemployment, widespread misery, and danger to our institutions."

Not since the age of prophecy have people been so fairly put upon notice. Let them heed what the finger of statistical analysis writes. Their economic system is not the weatherly bark they thought it was. Another depression will sink it. The fate of their institutions hangs by a fever chart of prosperity. There is a line. If the national product falls below that line they may begin to expect the worst. It is a line definitely established, like a norm of temperature. People may draw it on the wall for themselves. Then as they plot against it the moving curve of gross national product they may know precisely where they are. If it goes to a certain point they may say: "Now our institutions are in danger." If it goes to a lower point, they may say: "We are sunk. Let's get under the bed." But if, praise be! it rises, they may sigh with relief and go about their errands.

The feat was to fix the line. It was done with a kind of clinical detachment. "This article," it says of itself, "undertakes to

indicate the amount and character of national output that will have to be maintained after the war, if serious unemployment is to be avoided. No attempt is made to suggest how this goal is to be achieved."

The line of survival is a minimum gross national product of \$170 billion, at the 1943 level of prices. This is arrived at by the calculation that: "If production approximates the 170 billion dollar level after the completion of reconversion, unemployment will be about 2 millions, probably as low a figure as can be achieved in peacetime. It consists mainly of what economists call frictional unemployment and does not include any significant number of able and willing workers out of jobs for any length of time." Whereas, in the black area, referring now to the chart: "If, however, national product were to fall as low as 108 billion dollars (line B), which is the 1939 level with allowance for the increase in prices through 1943, we would have unemployment of between 15 and 20 million (line B'). Our economic destiny may lie between the two sets of lines, A and A' and B and B'."

Those are the two great *ifs*. But there are many others. For example, if the gross national product levels off at \$170 billion in the second year after V-Day; what will happen to it?

It is supposed that state and local government will consume \$10 billion of it and that the Federal Government will consume \$20 billion (which would include continuing lend-lease),—altogether, therefore, \$30 billion for government, leaving \$140 billion for the people.

What will the people do with \$140 billion? If they conform to past spending habits, which have been carefully examined, the people will spend \$113 billion for consumer goods, that is to say, in the satisfaction of their daily wants, leaving \$27 billion still to be accounted for. This \$27 billion must be spent for things not to be immediately consumed, as for example:—"If inventories increase by 3 billion dollars; if exports exceed imports by 2 billions; if residential construction totals 7 billions, and if new plant and equipment

absorb 15 billions; then the required 27 billion dollar total of nonconsumption goods will be reached."

And so, if the last \$27 billion get spent in that way and if the whole national product of \$170 billion is therefore consumed according to schedule, then the existing economic system together with our institutions may be expected to survive.

Now at last the confusion of political man with economic man is complete. Economic man must be appeased with prosperity. By whom shall he be appeased? By political man. Yet these two are one and the same being, in dual aspects. Therefore, what all this saying amounts to is that if man in his political aspect fails to provide man in his economic aspect with greater prosperity than he ever knew before, at least one-fourth more, and do it immediately, then frustrated man in his economic aspect will rise against frustrated man in his political aspect, smash his economic system and change his institutions. Unless, of course, government shall restrain him by providing him with more prosperity than he can provide for himself. Only, in that case, what is government? And what is man in relation to government—man in either aspect?

"It is not the purpose of this article," it says, speaking again of itself, "to discuss the measures and policies that need to be pursued by government and by business to keep up the volume of national output needed to maintain employment. It is only intended to point out here that a volume of output of approximately the size indicated is essential if disaster is to be averted. But there is no occasion for discouragement, only for determination. It is a challenge to our economy. When a couple of years ago the President laid out a program of war production, this program was considered fantastic and was hailed by the enemy as the delusion of a fatuous nation. And yet this program has not only been met—it has been exceeded."

Nevertheless, according to the *Federal Reserve Bulletin's* chart, the economic system that did that could die "between two sets of lines, A and A' and B and B'."

## Government

## Marginal Utterances

## Pursuing Lend-lease Billions with Simple Arithmetic

MR. WHEELER. I believe our people would like to know what the actual amount is that has been expended for lend-lease. . . . When we take the testimony given before the House committee and the items placed in the RECORD later, and compare it all with what was contained in the report submitted to the Senate last week, I challenge Senators to determine from the two sets of figures how much money has been spent, because we find one thing stated in one breath and another thing in the next breath. Then more appropriations are requested under lend-lease, when \$35,000,000,000 has already been authorized, \$5,000,000,000 of which has been turned over to lend-lease. At least \$30,000,000,000 is unaccounted for, so far as the Congress knows, still available to be used for lend-lease. How has that money been used, if it has been used at all?

MR. BUSHFIELD. I wish to join with the Senator from Montana in asking someone to get these figures together, or get those who are responsible for the figures together, so that we can agree on what has been paid out, what has been obligated, and what the President still has in his hands. If any of these figures is correct, approximately \$30,000,000,000 is still left in the President's hands which he has not spent or obligated. If the figures are not correct, what are the correct figures? I think the Senate is entitled to that information.

—From a debate in the Senate.

## On a Bill to Pension Surviving Civilians who Helped to Dig the Panama Canal

MR. RUSSELL. These men were paid well to go down there. These men got the fulfillment of the contract which the government made with them. The men who went out on the frontiers in Kansas, Nebraska, Oklahoma, Wyoming, Montana, and Texas and blazed the trail and cleared the forests and pioneered the way for civilization are sympathetically just as much entitled to be put on the pension rolls of the United States Government as these men. The government gave them nothing to go out and pioneer, but they went out there and did it and by so doing made a civilization for America. It is a terrible prece-

dent. It is one that would entitle every man in America to a pension. We have got to leave two taxpayers, at least, to pay the taxes and not pension them all. Let us leave two of them at least.

—In the House of Representatives.

## Around the World

MR. ROBSION. A few days ago a distinguished officer in the United States Army who has been in all the theaters of war in Europe, Asia, and Africa, and knows what has been going on and what is going on, and who is a Democrat, said to me: "Mr. Robsion, if the American people could see what I have seen around the world, and know the way our country is being imposed upon, it would almost create a rebellion here in the United States."

—From a debate in the House.

## Bacon for 280,000 Years

Only recently an unfriendly editor asked me the question: "What bacon have you brought to Oklahoma?" Limited time permits the mention of only a few items. In 1933, within the first 60 days of the new administration, I introduced and had passed one bill that made a profit in gold to the Treasury of \$2,800,000,000. The profit in this one law alone will pay my salary for the next 280,000 years.

—The Hon. Elmer Thomas, Senator from Oklahoma, in a radio speech to his constituents, May 16, 1944.

## UNRRA Dresses

MR. CRAWFORD. The gentleman has raised a fundamental question here. Why do we, under UNRRA and lend-lease, use the seersucker type of yardage for export when certainly those people would be perfectly delighted to receive the plain cloth?

MISS SUMNER. I should like to comment on two things. First, I should like to draw the attention of the Members to the hem of the skirt we are sending abroad as compared with the others. It is done so carefully. It looks as though it were handwork, hand embroidery. It also has lovely little buttons. The ones for the American women have no buttons, none made with that particular care. The second thing I want to point out, as has been suggested, and as has been done in the time of disaster in our country repeatedly in the past, we could have organized a dress line here and brought out second-hand clothing and given it to the people who were really in

need and glad to have it, and then see that this money is appropriated for the food that the Europeans really need, instead of for these dresses.

—From a debate in the House.

## Fair Practice Obligated

MR. GOSSETT. Mr. Chairman, I have here a telegram received from the distinguished chairman of the Committee on the Judiciary of the House, now in Dallas, Texas, which reads as follows:

I have just come in contact with one of the activities of the Committee on Fair Employment Practice. The *Dallas Morning News*, engaged in the ordinary activities of publishing a newspaper, printed in its paper recently this advertisement: "Wanted colored man to work at night as paper handler. Essential industry."

The paper received a letter from the regional director here with regard to this advertisement from which I quote:

"The Committee on Fair Employment Practice, operating under Executive Order No. 9346, a copy of which is attached, considers that such advertisement is a violation of the order."

Other employers have been similarly directed. Many of them have complied under apprehension of adverse governmental action should they refuse. The confusion, accumulating resentment, inconvenience to people seeking employment, and interracial irritation from the activities of this agency has become a most serious matter. Pair me against continuing appropriation for this activity.—HATTON W. SUMNERS.

—From a debate in the House on appropriating money to continue the CFEP.

## Monetary Policy in the Pants

MR. McMURRAY. On this point about the debt, remember that every dollar of public debt also represents, in the pockets of certain American people, that much assets . . . and if you cancel the public debt completely—do not misunderstand me on this—if you cancel that public debt completely, you would not increase the wealth or decrease the wealth of the United States of America one cent. You would merely redistribute the wealth.

"MR. KNUTSON. How about the people?"

"MR. McMURRAY. Some people would gain, and some would lose. You take the money out of one pocket and put it into another pocket, but the two pockets are in different pairs of pants. . . . I said that if this debt were repudiated—let us assume the debt is \$300,000,000,000—if the debt is repudiated, all the American people would gain \$300,000,000,000, all of them put together; and some of them would lose the \$300,000,000,000 which is represented by the bonds they now own.

"MR. KNUTSON. I get you. It is a book-keeping transaction."

—Fragment from a House debate.

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# The Mind of American Business on Free Competitive Enterprise

Some weeks ago the President of The Conference Board addressed to the Members severally an exploratory and privileged letter, beginning with the question, "Does business still believe in having free competitive enterprise after the war?"—and saying that the question was prompted by the apparent conflict and confusion of opinions being expressed by businessmen about continuing government controls of markets and prices after the war.

The purpose of the letter was explained in the last paragraph, as follows: "I do not know what you think about it, and I am sending this to ask if you will tell me by writing a letter, as short or long as you like, giving me your frank opinion. I am asking all the Members of The Conference Board to do the same. I want to see if I can get any composite picture of the attitude of this representative group of business leaders on the matter . . . for the guidance of the Board in its work . . . I won't use your name or quote you unless you say you are willing, and shall be very grateful for your help."

The response was astonishing both for volume and quality. A member of the Staff of The Conference Board has made a digest of the many letters received, giving to their content of spontaneous thought a kind of order; and this digest, together with certain free and informal reflections which are permitted to stand for their provocative value, is offered as a report to the Members of The Conference Board on the mind of business on this matter. In view of what the membership of The Conference Board represents, it is, in fact, a report on the mind of business to itself.

Acknowledgment to those who have been so helpful in moving this experiment.

VIRGIL JORDAN, President

THE question sent forth by the President of THE CONFERENCE BOARD—"Does business still believe in having free competitive enterprise after the war?"—has staggered home with a mixed and heavy cargo. Diversity, indeed, is the first most striking fact about the answers. At one extreme are several letters expressing impatience with the question, even to the point of doubting its rational existence.

One writes: "I am quite astounded at the question you raise, not because you ask it, but because you believe there are grounds for it."

And another: "I was more than shocked to receive your letter indicating that there seemed to be such a question in the minds of outstanding businessmen."

But they are outstanding businessmen who write from the other extreme, saying, one:

"I really doubt whether most business wants free competitive enterprise."

And another: "Yesterday I asked a very competent executive, who has had experience in Washington, whether free enterprise was possible after the war. His answer was, 'Hell, no. It would mean chaos.'"

You may take it that the mind of American business is divided, and divided not only in its forethoughts of what will be, whether we like it or not, but almost or quite as much in its ways of thinking about what ought to be.

Those who for themselves answer the question with a positive yes are a minority of one in three; and of this minority one-half at least are of the opinion that for the duration of the postwar transition period, whatever that may be, government controls should be discontinued gradually.

We shall abstract these letters. But before doing that it may be well to establish a kind of background.

A considerable number of respondents complain that the question was innocent.<sup>1</sup> The words, *free competitive enterprise*, they say, could mean many things to many minds; and they were not defined.

That difficulty was one that had been foreseen and then dismissed. One knows very well what a thing is until it begins to be precisely defined. One knows, for example, what one means by freedom. Yet we see that if we discuss freedoms by number and kind we begin to lose the one thing we know, namely, freedom. The skilled antagonist has a certain trick and it is one, we believe, that has been put over on business. The trick is to ask, "Now exactly what is it you mean?" The trap there is the absolute. If you are caught in it you are obliged to admit that there is no such thing, for example, as

<sup>1</sup>"It is true that the question was put somewhat simply and was not carefully framed. This was done because it was desired to see whether or not those who answered it were aware that the controversy about continuing government market controls after the war—which prompted the inquiry—was the key question involved in the future of 'free enterprise.'"—V. J.

absolute freedom, not even in the jungle. Therefore freedom must be a relative thing, and if it is a relative thing it will not be today what it was yesterday nor tomorrow what it is today, because the environment it inhabits is continually changing. After that the subject belongs to the realm of dialectics, where opposites dissolve in contradiction, and where the more a thing is not what it is the more it is the very same.

We know that a free people must restrain freedom, else they cannot for long be free. We know that free competitive enterprise must be restrained both by rules of its own making, so far as it may be permitted to make its own rules, and by laws imposed upon it either by the government or by the people acting through government. With new conditions come new restraints, and these may go very far without changing in the least the idea or meaning of freedom. It is indeed the very process of freedom. It was the American process and was continuous from the beginning. It continued through the whole of our experience with the first World War.

Government control of the economy for purposes of that war went all the way. Prices, production, distribution, consumption and money were all rigidly governed, and such a thing had never happened before; but through it all the character of government did not change. The govern-

ment in the traditional way was still the instrumentality through which people acted upon themselves. The great theme was one of voluntary action. The government asked people to forego Sunday driving in order to save gas. No one could have been arrested for driving anyhow, since there was neither law or edict. Nevertheless the next Sunday, cars vanished from the highways. Standing in Washington Square looking north you would have seen in Fifth Avenue not a single automobile, not even a taxi cab.

### As It Was Before

The inscription leaf of the final report of B. M. Baruch on the work of the War Industries Board bears this italic line:

*"The highest and best form of efficiency is the spontaneous cooperation of a free people."*—Woodrow Wilson.

And in the course of his report, Mr. Baruch said:

"No legislation was ever passed making specific provision for the establishment of the War Industries Board. Its power depended in large measure upon its ability to demonstrate its effectiveness in accomplishing the common purpose and the willingness of other agencies to be assisted by it, together with the voluntary support of the business interests of the country. Several times during the summer of 1918, bills giving the Board larger legal powers were prepared and discussed by committees of Congress, but the general conclusion was that the Board was accomplishing its purpose well enough without further legislative powers."

And on how it worked, he wrote:

"Of indispensable value in facilitating contact between the various sections and the branches of industry corresponding to them, was the series of war service committees, originally under the Council of National Defense and later transferred to the supervision of the United States Chamber of Commerce, each representing one line of business. A war service committee spoke and acted as agent and representative of an industry and not as agent of the Board. The various units composing a particular industry would join in appointing one of these committees to act as spokesman in negotiating with the Government. The strongest men in the industry usually served on these committees."

When the war ended the War Industries Board dissolved itself. In a few days all that was left of it was a notice on the door: "Out of business."

To restore the national economy to a peacetime basis was definitely the job of free competitive enterprise. Nobody asked

then: "What is free competitive enterprise, exactly?" Such a question as, "Do we want it really?" would have made no sense whatever. For one thing there wasn't time to ask questions. There was too much work to do. It is true that free competitive enterprise was scared. It is true also that there was in the air of the time an idea of reforming competition to make it less costly and wasteful. This could be done, many believed, by adapting to peace the lessons in cooperation that had been learned during war, and that would mean not only such cooperation within industry as had been forbidden by the anti-trust laws but cooperation also between industry as a whole and government. The result, many hoped, might be a kind of competitive cooperation on the part of private enterprise, the government overlooking and minding it in behalf of the public welfare. However, all that beautiful idea waned. It was the flesh and not the spirit of private enterprise that was scared. The only point that remains is that even the ardent exponents of the idea were able at that time to take something for granted about government. They assumed that government would overlook and mind their scheme of competitive cooperation without acting in it; they assumed, that is to say, that government itself would not compete with private enterprise.

### What Is This Change?

Such was the shape of things twenty-five years ago when this country faced its postwar world. What makes the great difference between that time and now? Why is it now that among the leaders of American business fewer than one in three will in a positive manner say yes to the simple question set forth by THE CONFERENCE BOARD? You may say that there has been a change in the heart and temper of business. That is true. But why is it true and what was the cause? You may say the problems are greater, and that also is true; nevertheless, magnitude is relative. In so far as the problems are economic they are of the same kind, and if it is a matter of size only one must consider that our power of leverage has at the same time in every way increased.

The difference lies in something we find expressed in these letters. One says:

"For the first time we who create government are afraid of government."

Another:

"Why should we be surprised? Do you remember a prominent leader in Washington saying, 'Privately run business will logically be required to disap-

pear.' At a later date an equally prominent man in government circles whose speech was quoted in all the papers said, 'We hope vested interest will submit to government controls without violent resistance.' And again, another distinguished gentleman in government said, 'When we get through with this business [insurance] we will be run by government.' Such challenges and threats were largely received in silence by American business leaders."

Another:

"I think it is partly mixed motivation and partly fear of reprisals that causes your outstanding businessmen to sheer away . . . just as I feel free to write this letter to you only on the understanding that my name, which is inseparable from that of the company, shall not be connected with any quotation you may wish to make."

Another

"I think business does believe in free enterprise, but has been so frightened by its political masters that a considerable cross section of businessmen have started to hedge. They would rather compromise than lose everything."

In this letter the term political masters seems to be an echo from a speech of the second campaign in which Mr. Roosevelt said that whereas business had already met its match, it was going to meet its master.

Another letter says:

"Whether ten years of browbeating has dulled our powers of reasoning or whether the poison of bureaucracy is more deadly than we have realized, I do not know. Possibly both."

And another:

"I am astonished to find a great many people in industry who believe we must have cartels or managed markets. . . . In my opinion the New Deal wants cartels and has since NRA days, and by vigorous and unwarranted prosecutions under the anti-trust laws so discouraged men that they began to say, 'What's the use? If we can't protect ourselves, we had better go along with government.'"

### It is Government

Government has changed. That accounts, at least in part, for the great difference between the time before and the time now as we face a postwar world. The change in government is not a matter of degree only, as if simply its powers had been enlarged or its functions extended. It is a new kind of government, exercising

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the power to act directly upon the economic life, even to the point of dividing the national income according to a political formula, whereas before the only kind of government we knew was one that was jealously supposed to act only upon the economic environment, leaving the economic life within that environment free to administer its own affairs. This change did not take place during the war. Between government, invading the economic sphere with intent to control it, and free competitive enterprise, whose power in that sphere had been supreme, the conflict began with the advent of the New Deal in 1933. The necessities of war imposed a kind of truce; but it has been an uneasy truce, each side regarding the other warily and with suspicion. From the beginning of this change private enterprise was on the defensive. It was unable, however, to hold an impervious line. Its defenses were penetrated by an infiltration of ideas, and self-weakened besides in a curious way by the spirit of private enterprise itself, saying, "It is the business of business to do business under all conditions." That can be understood and there is much that can be said for it. Nevertheless, we find in these letters bitter comment on the behavior of accommodation, as if it were a kind of disaffection.

One says:

"In my judgment, he in no way represents a cross section of businessmen's thinking. I heard him speak recently at . . . and I think it is a fair statement to make that two-thirds of his listeners were totally unsympathetic to his views. Another group excused him on the ground that he had to talk along lines of government control because of his association with the New Deal. He must have been allergic to planned economy before he went to Washington for he certainly contracted there the disease in its virulent form."

Another:

"It seems to me that the trouble with our businessmen, particularly those who have been in Washington in various government activities, is that they do their thinking second hand. Along with other forms of Washingtonitis, too many of them while there have been inoculated with the virus of planned economy."

Another:

"It is not surprising that businessmen in Washington become enamored of planning, particularly those who think our business needs protection. I have always been amused at how a few weeks of exposure to the Washington atmos-

phere make a reasonably efficient executive into impulsive so-and-so."

Another:

"I have been much impressed by the apparent conversion of businessmen in Washington to the notion of government participation in business generally and particularly to the necessity of our managing the affairs of the entire world. I like to think this is temporary, an outgrowth of the emergency of war and not a reflection of the outlook of businessmen in general. We can hope for little change while the war lasts. That doesn't necessarily mean to me that it is certain that government participation in business must be accepted for all time or that intelligent opposition to it is wasted effort."

Another:

"Many businessmen who have been associated in Washington in one capacity or another have become imbued with the idea that government cooperation in business, which means, of course, more extensive control by government, is necessary in the postwar period. This, I believe, comes about by the complexity of the Washington atmosphere and the belief that government is all-powerful and can iron out the rough places ahead to the advantage of business; and I believe that they have all failed to take into consideration the ultimate cost of this aid and have overestimated its value. . . . Ever since NRA days, many businessmen have been running to Washington with their troubles, asking the government to do something about them. This, of course, has been greatly increased during the war period by the education of many businessmen to the Washington point of view. The exchange, if they would only think it through, is going to be a very much one-sided affair."

Another:

"I share the feeling of alarm at the change of psychology regarding the individual enterprise system exhibited by representative businessmen who have been actively engaged in the government activities in Washington. At first it seemed to me they were bitten by the bug of statism, or whatever you call the ism that makes government through its bureaucracy the important partner in the enterprise endeavors of its citizens. But as I have talked further with these men, I began to think their change is the result of their gaining knowledge of the extent of government participation in the affairs of industry on the

part of our Allies, and their bewilderment as to how to preserve their free enterprise system in view of the attitude of our Allies and their postwar plans."

Another:

"Many businessmen who have gone into war work are of the opinion that the regimentation of markets, prices and production should be continued after the war. The attitude of these men can be accounted for perhaps by the fact that a large proportion of them had a leaning toward New Dealism before being assigned to Washington, and since then their views have been influenced by the atmosphere in which they work. Beyond that, however, I understand that some of our large corporations are advocating that production and markets be allocated after the war on the basis of a percentage of the prewar period. If that is intended to be a long-term program, it would be most unfortunate. Not only would it freeze the small firm, but it would stop new firms dead in their tracks. It has the earmarks of monopolistic privilege. . . . Should business insist upon government protection against risk, then it is digging its own grave, as this inevitably paves the way for totalitarianism of some form. The mixed economy that some businessmen seem to favor would combine the features of state socialism and free enterprise. Such a mongrel system cannot work, for the components are mutually antagonistic. The net result is that the government's activities are extended and private enterprise is forced to retreat."

Another:

"We must have a certain tolerance—not too much—for the paid managers of business whose first concern must be to carry on whatever conditions confront them. That's the way business always has been and perhaps always will be."

Another:

"I don't think we need to be surprised that businessmen who have been long subjected to the economic and social philosophies current in Washington, and to the seductive influence of the propaganda blow-up of complaisant individuals are in favor of government control after the war, with the same complaisant individuals doing much of the controlling or appearing as the master minds in the system."

The letter last quoted touches with some acidity a subject that may receive in the future much more attention. Another comes at it in a more direct way, saying:



"As an aside, I often wonder whether by examination and analysis you could discover whether there exists in business, industry, agriculture or in labor circles what one might call a vested interest in the regimentation of which we complain, and what are the vested interests which have to be contended with in addition to the political idealists before we can restore what you referred to as the free enterprise system. In a series of articles entitled, "Principles of Trade," *The Economist* (London) makes some interesting observations on this point."

On the side of adjustment the discussion takes a wide range, from unbelieving resignation, through realism, to the view of a new order in which there shall be a minimum of government interference, except of the right kind, and a maximum of free competitive enterprise, except of the wrong kind. One thoughtfully written letter says:

"I believe that we all have a genuine desire to move as far as possible away from the totalitarian type of state, and now recognize as we never did before that some of the things we did were inconsistent with the principles of free enterprise. Thus, I think the desire of industrial management will be very definitely in the direction of a free competitive market and towards the reinstitution of the free enterprise system.

"As a realist, however, I recognize from a study of our past industrial history that whenever the tides of social revolution sweep on the shore and recede they leave behind a residue on the beach that is difficult to eliminate entirely. . . . Thus we will have with us practices and regulations that are inconsistent with the free enterprise system and which the system will have to struggle with just as people passing middle life have to struggle with ailments and obstacles that prevent their functioning with the efficient smoothness of youth in the military forces.

"Beyond this I must also add that during this last generation businessmen have learned that the free enterprise system and modern civilization are not entirely automatic. Some of the things that government has done in the past to create a climate in which free enterprise can prosper, the type of monetary system provided, the type of taxes levied, the building of roads to provide a place for the great automotive industry to run and grow, and many other such things, are activities of government that in the end are great determining factors

in the functioning of the free enterprise system. Back in the Twenties and earlier, we took these things for granted. We did not realize how disastrous it would be to the free enterprise system if the climate were to change. It seems to me, therefore, that all through our history we had, to some extent, a 'mixed economy' and I do not think we should be obsessed with the idea or be fearful of an economy that is mixed. What we ought to know is what are the ingredients put into the mix and in what order and sequence is the mix concocted.

"Personally, I think we are still going to have to have the government provide some of the climate that will encourage free enterprise to function. If we can get a limited and proper interference of the right kind and at the right time, then I am confident free enterprise can provide reasonably full employment and prosperity for the American people for another period that lies ahead."

Another says:

"I don't know that free enterprise does describe what we believe in and wish to preserve. Actually we have committed ourselves to certain types of regulation which we believe to be in the public interest. We have gone much further in this direction than the English have. . . . So far as the cartel situation is concerned, I am of the opinion that as applied to foreign trade we shall find it necessary either to join up or to adopt some protective measures of our own to meet cartel competition."

### Foreign Trade

This reference to the special circumstances of foreign trade is characteristic. The general idea is that the American exporter as a private trader, unsupported by his government, would be unable successfully to compete with trading governments or with cartels created and subsidized by foreign governments. The thought does not once occur that foreign governments may be afraid of the free American trader, hence their anxiety to divide the trade of the world by agreement.

Another letter says:

"It seems to me that the time has long since passed, considering the complexities of modern industrial development, for anyone reasonably to think of free enterprise as economic conduct entirely free of governmental restraint. How much control, or constraint, or supervision there should be constitutes our problem. I have already mentioned

'the public interest.' To my mind, that should always be the controlling factor.

"Legislative restraints barring the performance of specific acts, which because of the nature of the acts themselves are against the public interest, are proper and desirable and are wholly compatible with my concept of a system of free competitive enterprise. Prohibitions of this kind leave people unhampered in undertaking any activities which are not against the public interest. They embrace the whole range of production, distribution and financing of goods and services capable of satisfying human wants.

"It seems to me that we can have free enterprise of a desirable character when government's participation in markets is confined to insuring respect for contracts and to preventing fraud or illegal restraints of trade. The determination of what and how much shall be produced and sold, and at what price and under what conditions, should be left to the voluntary decisions of the people interested in such activities—in brief, should be subject to economic as distinguished from statutory law."

Another says:

"My personal feeling is that the rules of the game have to be changed from time to time as the complexion of the game changes. It may be trite to use as an analogy the game of football, but when the Carlyle Indians made touchdowns by tucking the football up under the sweaters of their backs, it was obvious that something had to be done with the rules or the game would suffer so much that it might pass out of existence. So it is with business. We are living in an ever-changing situation, and I for one would accept new rules of the game, but I also believe that the rules should be kept to a minimum, that business should be left alone as much as possible, that competition be allowed to be free, or that, if rules seem to be necessary in regard to competition, they be kept at an absolute minimum."

And another:

"The question in your letter is very clear to me, but very difficult to answer. We face so many theories in political economy these days that I believe most businessmen feel we are approaching chaos. It is natural to prefer almost any definite and known condition to the prospect of utter confusion. Personally, I have no doubt that the great majority of American businessmen are thoroughly convinced that free competition alone



can provide the incentive and initiative our economic society requires. But these terms have become so confused that I am not surprised many businessmen are discouraged in further attempts to reach an understanding on definitions and meanings."

### For a Gradual Return

The idea of leaving the problems of transition entirely to the resourcefulness of free competitive enterprise is very rare. Even many who hold that a return to the utmost freedom of private initiative is imperative are for doing it gradually, as if to do it suddenly, as was done before, would be too heroic and perhaps socially dangerous. And this is a view that seems to derive partly from natural anxieties and partly from the consideration that the social climate has changed.

One says:

"Certainly we want to get back to free enterprise just as rapidly as humanly possible. The thing that bothers me is how long that will take. The old structure has been patched up to such an extent that if the patches were taken off overnight it is possible we would have a chaotic condition in which it would be difficult to readjust ourselves.

"There is no question but that the only hope for the individual is a return to what built this country—the opportunity of each individual to prosper according to his ability and willingness to work. Yet I am not convinced that business can absorb all the men that lose their jobs when the war contracts are completed and the soldiers come home, except over a period of time. For this reason it may be necessary for the different states to find some way to build new roads or repair old ones, and do public work of other kinds which is advantageous to the community until industry is in position to absorb the labor surplus."

On foreign trade again another says:

"Free enterprise to me does not mean a situation where, for example, tariff walls are removed and American products find themselves in a position where they must compete price-wise with products manufactured in Belgium, France, England or any other country having a lower standard of living than our own. I cannot avoid the conclusion that some government assistance and regulation will be required to finance export business during the years immediately following the cessation of hostilities in Europe."

The simple life is gone, says another:

"As economic or social life becomes more complex the independence of the simple personal and family life of the eighteenth century is necessarily reduced. Producer and consumer lived near each other, were substantially neighbors. They needed to ask from government nothing but the preservation of order. But now more than half our people are in great and crowded cities and towns. The greater part of all the necessities of life come from strangers in distant places, through a vast and complicated system of production and distribution, with which the individual has little direct relation. If catastrophe or combination impairs or destroys the working of that machinery, the consumer is individually helpless. He has to call upon his own government for something more than the preservation of peace. To an increasing degree he has to regulate and protect the machinery of production and distribution and safeguard it from injurious interference so that it shall continue to work. That does not justify the interference of government wherever it may, but only wherever it must and where what it does is necessary and effective to accomplish the justifiable social purpose."

### Exit the Simple Life

Another on this same theme says:

"All of us must accept the fact that war upsets many normal economic forces and requires a reorientation of business arrangements. All necessary changes cannot be voluntary. In many cases the dislocation of normal procedure would result in unfair advantages or disadvantages. Therefore, in such times as these, certain governmental and other regulations are required. The necessity is recognized and accepted by the business executive as one of the inevitable consequences of waging a major conflict in which nothing is important except that it contribute to victory.

"As long as we had a predominantly agricultural state we could carry on very largely, each man for himself. No one depended much on any one else. The inability of that relationship to survive in the mass industrial era into which we have entered is the unmet challenge of our time.

"The complicated relationships of various elements in our national economy require intense cooperation in working out the problems of all industries, and we believe these problems can best be solved by permissives and with perhaps a modicum of intelligent

regulation and direction. Even the acceptance of self-imposed restrictions and the surrender of considerable freedom of individual activity may be necessary if freedom of enterprise, privately owned and privately operated, is to survive."

### Many Questions

There is one letter that raises too many questions. It reads in part:

"To me free enterprise is a high-sounding abstraction that means anything and everything from the driving force of individual initiative expressing the enlightened self-interest of a free people to the grossest exploitation of nature and man. In recent years various traders in semantic currency have sought to make it stand in the popular mind for the knight in shining armor who will one day deliver the spotless virgin Business from the New Deal dragon.

"For two hundred years it has not been a question in any modern state of freedom versus regulation, but of how much regulation. Emphasis upon free enterprise has not only confused the issue but has contrived to give a touch of nobility to aggressive business practices which are no longer condoned either in law or morals. The rebuttal has been devastating.

"Economic controversy cannot be resolved in generalities. Business management is deeply and sincerely perplexed over its obligations and responsibilities, a perplexity which is intensified by the cross purposes indicated in government policy. Immediate postwar problems require more than copy-book rules for their solution; viz., Is maximum and stable employment possible under the unrestricted competition demanded by the Justice Department? Can a management be sued by stockholders for putting its concept of the public welfare ahead of their interests? It is small wonder that management in some industries is not averse to being told what to do.

"Only eleven years ago a respectable segment of businessmen asked for the NRA (with its suspension of the Sherman Act) to help them relieve a depression which some of them apprehend will be repeated when the war boom is over. There may be another demand for a limited cartelization of heavy industry, at least, if the going gets bad. I personally believe all such expedients weaken the economic structure of the country in the long run, but I might not feel so if I were confronted by a condition and not just a theory.

"Maybe no one can afford the luxury of free competition except the fellow who has nothing to lose. And hasn't that always tended to be the case, since the beginning of time?"

The spirit of accommodation is perfectly expressed in the next letter which is the last in this phase to be quoted:

"I believe that some of our associates imply in the use of the term, 'free enterprise,' that they wish to return to some previous period long before the conception of many of our commonly accepted social legislative acts, such as Workmen's Compensation, etc. However, I cannot go along with those who advocate the repeal of the social reforms of the past twenty-five years, for I think that many have corrected abuses which no one could justify.

"The term 'private enterprise' is in many ways a better phrase than 'free enterprise,' for it seems to express the essence of the system we wish to preserve—private individual investment. I have often thought that what we are attempting to save is the right of an individual to start a business of his own and to reap the rewards of his efforts, provided he operates it efficiently, develops new techniques and products, reduces costs and widens distribution. If such a system requires government help to make it run, through such things as patent protection, tariff assistance, special income tax relief, etc., or government restrictions to prevent abuses, then let us face the facts and welcome that help openly. The advantage of such a forthright policy might be to promote a greater efficiency in the administration of these governmental checks and balances, in which field we have been woefully weak."

### *The Positive Voice*

Those who believe what they believe and know no way of compromise are, as we have said, fewer than one in three. But they make up for it.

One says:

"It is the only scheme of things that will work for a long period and unless we can get back to a basis of moderation in government, we must take the plunge into the waters of misfortune. . . . A civilization either stays in high form or goes under, and a continuation of the trend to regulatory government is a course toward degradation and ruin. . . . There is no alternative."

Another:

"It is undoubtedly true that in order

to fight a war efficiently, despotic powers must be given to the chief executive and our mode of life, our freedom of action, and even our personal liberty must be temporarily surrendered to the control of bureaucrats. . . . But to continue voluntarily the unusual powers which destroy our balanced form of government beyond the postwar period, or at least the period of emergency, which I assume may be only a matter of months after the cessation of hostilities, would be a calamity beyond anything this country has suffered in its history."

Another:

"Management of markets by government, or a mixed economy, can lead only to chaos and the destruction of American business."

### *The Inspiration*

Another says:

"Free enterprise has been the inspiration which has brought us our high standard of living. We are necessarily regimented for the duration of the war, but when peace comes, a system of free competition and free enterprise is the only one under which we can compete with the rest of the world and at the same time, if we desire, continue to raise our standard of living."

Another:

"I am not so much concerned about free enterprise as I am about free men. . . . We can again become free human beings only if, among other things, we approach the freedom of the market place. Individual business firms cannot for purposes of selfish gains seek swollen protective tariffs, they cannot welcome a national cartel as they did in the days of NRA, without accepting the principles of control. There can be no such thing as a mixed economy. Gresham's law applies quite as much in the broader field of economics and society as it does in the monetary field."

Another:

"It seems to me that we have had ample demonstration in many directions of the failure of government restrictions to accomplish permanent results in the face of the operation of economic laws; and, therefore, to rely on such regulations in our postwar business planning would not only mean that we could not read the evidence of the past twelve years, but that we disregarded our economic history of one hundred and sixty years of free enterprise. Why are we fighting this war if not to preserve that opportunity."

Another on mixed economy:

"I fail to see how we can introduce compulsory governmental planning into a part of our economy without eventually destroying the freedom of all business enterprise. And when private competitive business is destroyed, political, intellectual and spiritual freedom will quickly disappear."

Another:

"The experience of our own and that of other countries has taught us to believe that once the government starts its regimentation and managed economy it is bound to expand and eventually we will have a completely socialized industrial life in America, and any temporary benefits that may come about to even out the rough road in the immediate postwar period will be small gains in comparison to the long-time losses that we will sustain by such a program."

Another:

"I definitely feel that promptly after the end of the war business should be freed from the governmental controls that now exist. That is, we should have free markets. Production, prices, and the day-by-day operation of business, matters of collective bargaining with labor, and the responsibility for proper handling of these important items, after the close of the war, should be put on businessmen and their organizations. I know without question, based on my own experience, that a much better job will be accomplished than if government controls continue to apply as they are now. Legitimately these controls were only set up for the war period and they would have no right to continue beyond that period.

"A very important item in this whole matter for consideration is—what sort of employment can we provide?—and I think that industry, freed from governmental controls, will answer the question much more satisfactorily to the workers—boys returning from the front—than industry burdened with a continuation of the present controls."

### *What Is It We Want?*

And lastly a definition:

"Under a free economy the consumer buys what he wants in the quantity he wants, at the price he is willing to pay. The producer must meet this acid test of public acceptance. Hence our tremendous industrial efficiency and progress. In a regimented economy, on the other hand, carried to its logical conclusion, the government regulates the

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price and the quantity and what the consumer may buy. This results in restricted markets, increased costs, destroys incentive, strangles industry at its source, and in history has always resulted in economic collapse. What is it we want? Production and consumption, employment, exchange of goods and services. Under a free economy this is attained by opportunity and incentive. Under a regimented economy it can only be attained by disagreeable methods and then never maintained."

### The Reporter's Comment

There is the report. It is, we believe, a fair cutaway view of the thoughts that are consciously taking place in the mind of American business.

One who reports the facts—in this case the facts of sentiment, feeling and opinion—is sometimes permitted, or even desired, to make a postscript of interpretation, for what it may be worth. What do the facts mean? What total impression do they make?

Well, first there is one notable omission. No one comes forward to make a forthright defense of the profit and loss system as it was under the doctrine of *laissez faire*. On the contrary, there are several rather harsh references to that grim old doctrine; and although it is in no case explicitly said, the idea seems to be vaguely present that it may be necessary to limit private profit in the social interest. But the limitation of profit by law or on ground of social policy, except in the case of regulated monopoly, operating under public franchise, is a new thing in this country. The great effects of the free competitive enterprise system—which is a profit and loss system—were achieved when the only thing that limited profit was loss. Will the system work in any other way? We do not know. Certainly that is the only way in which we have ever seen it work. At any rate you might have expected the point to be argued and it wasn't.

A second impression is that almost without argument business now concedes a crucial point—the point being simply that there is or may be a kind of economic crisis in which free competitive enterprise cannot right itself. The crisis in this case, of course, is the transition back from the war to peace. The common thought about it is that the government must continue to act, and that it must relax its controls gradually until the normal laws of supply and demand can be restored or until they restore themselves, or whatever

it is that will happen. The argument is both plausible and rational. It is unfair to expect private enterprise alone and unassisted to undo what the government has done; therefore, let the government undo its own work. But that was not the state of mind of business twenty-five years ago. The habit of turning to government in time of crisis did not begin in the transition period that followed the first World War; it began in the great depression. The British mind is on this same road. The Committee on Postwar Trade Policy of the Federation of British Industries says it will be needful for the government to maintain its controls over raw materials, prices, finance and consumer buying for some time after the war, "to avoid a chaotic scramble for the available resources and to safeguard the balance of payments;" to which it adds a statement of faith, saying that in the long run private enterprise must take over again in order that individual incentive shall be restored. But if free competitive enterprise is no longer able to make its own way through crises, will it not come to be regarded as a fair weather barge? And will not the idea of what constitutes a crisis tend to become so diluted that presently the government will be expected to take charge at every cry of danger?

Thirdly, and last, one gets the feeling that in the great depression the mind of American business suffered a psychic injury from which it has never recovered, hence its impulse to confess its sins and its defensive attitude generally, instead of saying, as it would have said at any time before, "So what of it? Nothing else has ever worked better; nothing else has ever worked so well." One could believe it had been hexed by the New Deal's interpretation of that economic disaster, which was an interpretation that laid upon business the guilt and the responsibility. Certainly that was not the only interpretation possible, nor was it the one consistent with either our economic history or the history of great popular delusions. It was a world-wide depression. A world-wide idea had collapsed. The idea was that the cost of the first World War could be absorbed in a prodigious increase of wealth. Whether that was possible or not is a matter that can never be either proved or disproved. Great hazards lay against it. If it had been in fact impossible it would in the end have defeated itself. However, the world-wide and unnecessary repudiation of debts owing to this country, principally by Europe, was a mortal blow. Not only did billions of paper turn suddenly worthless in our hands, but we lost at the same time

our foreign markets. In view of the cost of preparing the second World War nobody will now maintain that Europe could not have paid her debts both to the United States Treasury and to the private American investors. But whether she could actually pay them or not was never at any time the question really. The question was one of good faith. This country was the creditor. It did not want to be paid off, any more than a bank wants to be paid off by its debtors, for if its debtors did pay it off, the bank would be out of business. What the bank requires of a good debtor is that he shall pay each separate piece of paper as it comes due and the interest upon it in a regular manner, and if he does that he may go on increasing year after year his total indebtedness to the bank. In the same way, if Europe had been a good debtor, if she had been willing to pay only the instalments and the interest, she might have gone on borrowing more and more in this country and we might have gone on increasing our foreign investments, almost without limit. One obstruction was Europe's fear of the growing power and prestige of free and competitive American enterprise.—G. G.

### Confusion of Tools

General Motors is operating in the United States 99 of its own plants which have a total of approximately 77,000,000 square feet of floor space, and in addition 16 government-owned plants totaling approximately 12,000,000 square feet of floor space. These plants contain a total of approximately 130,000 machine tools in use on war work and other authorized products, of which 69,000 belong to General Motors. In addition, 17,000 machine tools for which no wartime use was found are in storage. Some 3,100 peacetime machines have been sold. These figures indicate in some measure the physical problem involved in reorganization when the time comes to resume the manufacture of civilian products. . . . In addition, government-owned machine tools present a problem, particularly where they are intermingled with machine tools owned by General Motors. Disposition must be made of these thousands of machine tools before plants can be cleared for the post-war reestablishment of normal manufacturing operations. Many of the 3,100 peacetime machine tools which were sold to other producers were key machines. They must be replaced or recovered before the production of peacetime goods can get started.—From the General Motors annual report.

# Looking at England

*Notes from the travel diary of an unofficial American*

GEORGE BERNARD SHAW was responsible, I believe, for the observation that "England and the United States are two nations divided by the same language." In common with all socialists, he sees people as numbers. In truth, a great gulf separates the two people, their mores and their outlook.

Britain is, after all, a tight little island whereon everything by comparison with our continent is in miniature. What they call rivers we would call streams or creeks. Their trains are tiny, as are most of their automobiles, their roads and their lanes. It is a homogeneous little place. Its people have more or less a common root. The climate is much the same from Scotland to Cornwall, as are the crops and manner of living.

One center controls their economic, financial and political life—London. I aroused many protests when I remarked to a group of Englishmen that London reminded me of a small town because everyone who is anyone seems to know everyone else who is anyone. But this is true. Sitting in the Dorchester or Claridge's, in the course of a few evenings one sees in turn almost all members of the Cabinet, air and field marshals of the army, admirals of the navy, every member of the Lords and Commons, and, sooner or later, the head of every industrial enterprise in the Kingdom. London is the heart and brain of Britain.

## *In the Other Tradition*

By contrast, we have forty below in North Dakota and surf bathing in Florida. Our crops vary from tropical to subarctic. Great mountain ranges separate the economic life of the east, west and middle west, each of which in turn has several metropolitan centers. We have forty-eight political capitals in addition to Washington. New York does not dominate our finances. We have at least twelve recognized financial centers with their own Federal Reserve banks, and we have some ten thousand banks. In contrast, five great banks, headquartering in London, dominate England. These disparities are productive of a different attitude and outlook.

In political organization, too, we are, or at least we have been, different from Britain. Britain is one sovereign state

without a written Constitution and a Supreme Court to interpret it. There are no limits to the legislative powers of Parliament, and Parliament is its highest tribunal, too. It selects, usually from its own members in Lords and Commons, ministers for the nation's administration. In contrast, we have forty-eight sovereign states and until recently have been protected by a Supreme Court to interpret a written Constitution which prohibits unlimited legislation.

Whether it is due to different political organization or to the fact that we have been at least fifty years behind Britain in the industrialization of our economy, the New Deal is a shock to us which the English find it difficult to understand. England has been undergoing a similar process of creeping collectivism ever since Disraeli. From that point onward, each successive administration—Conservative, Liberal and Labor—has passed one piece of so-called social legislation after another, each creating or giving more power to one bureaucracy after another, so that England even at the beginning of this war was well along the road toward a social welfare state. And the war has accelerated the process.

More and more the state has been given control, even ownership, of enterprise. The state owns the telephone and telegraph companies and all the radio and television stations. The state has invested in oil fields. It has loaned money to the steamship companies. It has subsidized housing on a large scale. It has purchased coal mine royalties. It owns outright all overseas air lines.

Because of differing conditions, comparisons between English and American administration of the war are difficult. At its outbreak a truce was declared between Conservative, Labor and Liberal parties. Britain's National Government was formed and the principal members of each party constituted themselves into a War Cabinet.

From my point of view, good and bad have resulted. It is not generally understood in America that the British Labor Party is a socialist party. In no sense do they regard the term "socialist" as one of derision. They call themselves socialists and are referred to as socialists without any ulterior connotation. But the British Conservative Party has itself

moved so far toward socialism that in the neutral zone between the two parties' extremes it would be difficult to find any distinction in the philosophy of those who call themselves Progressive Tories and the more conservative wing of the Labor Party typified by Ernest Bevin and Sir Walter Citrine.

The benefit of this National Government is the unity which it inspires in the country. As petty politics have been adjourned for the duration, the National Government's efforts are combined to further one purpose—the winning of the war. But the two parties, working in apparent harmony, have absorbed much of each other's philosophy. They frequently defend each other against public criticism. They have agreed upon foreign policy and upon an extensive postwar program which is now being whipped into shape for legislation.

But England has now what is essentially a one-party government, with attending evils. The people are deprived of an opposition and an opportunity to register their protests. Occasionally one notices in the press a complaint against this one-party government. And this state of affairs has provided the occasion for the rise of a new party—the Commonwealth Party—which is taking advantage of the lack of opportunity to express protests.

## *The Commonwealth Party*

The Commonwealth Party has a cleverly chosen title which has both political and economic connotations. It has put up candidates in several by-elections in opposition to the government candidate and won seats in the House of Commons. The chief distinction between the Commonwealth Party's program and that of the orthodox socialists is that the Commonwealth Party would do away with all private property, and whereas the socialists propose to compensate owners for land or other property that might be nationalized, Commonwealthers would expropriate it and pay in compensation no more than £1,000 a year as an annuity. I believe it is the threat of the Commonwealth Party, together with evidence gleaned from polls which the government regularly makes among the armed forces, which was responsible for Churchill's recent speech wherein he promised a reconstruction program embracing comprehensive

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health insurance, a Beveridge Plan of social security, a new education bill, and a new housing bill. If you listened, you may recall him saying that the government intends to construct, immediately materials are available, one million prefabricated houses "with built-in fixtures worth £80." In my opinion, Churchill was not speaking for himself, a right-wing conservative, but as Prime Minister of the National Government. He was voicing the views of socialists, which on the whole have been accepted by his own party.

The anomaly of the situation would appear to be that, although the thinking of the British and their Parliament is far to the left of American thinking, those who are administering their economy are experienced, conservative businessmen, whereas here, where the people and their Congress seem to be well to the right of center, the administration of their war economy is in the hands of leftists.

### War's Regimentation

However, under these men Britain has undergone a ruthless regimentation, and in many cases the socialists' goal has been attained. For instance, many small businesses have just been told to close up. Many so-called product pools have been formed and so-called utility products designed and standardized. All brands have disappeared from soft drinks. One drinks a lemon squash or soda without knowing who produced it. The quality may be good or bad. There is a drink called "American Cola," and one has no way of telling whether he gets Coca-Cola, Pepsi-Cola, or one of the British substitutes for these drinks. This has resulted in numerous complaints by the American Army, and Coca-Cola sent one of its officials to London to try to get the situation straightened out. However, when I saw him the most he hoped for was that the American army might be allowed to bottle its own "cokes."

Margarine sales have been pooled, also, as have those of oil, gasoline, and many canned foods, trade names having disappeared. One may now buy only utility blankets in one color—white, utility cigarette lighters, utility furniture and utility paint in one color—brown. For all of these products the socialists' aim of standardization and removal of competition has been achieved. If a product is faulty there is no way of blaming the manufacturer, or, conversely, of rewarding one for a superior product.

One instance of state ownership and operation which must impress every American is the government-owned Brit-

ish Broadcasting Corporation. Only one London radio station broadcasts. With one exception, it is the only program to which one can listen. Another station broadcasts short wave from Droitwich to all the armed forces overseas. It also can be heard on long wave. News programs are broadcast at 8:00 a.m. and 1:00, 6:00 and 9:00 p.m. only; those to the forces are at 6:30 a.m., 9:00 a.m. and 12 noon.

News broadcasts are uninteresting. There is no interpretive comment such as we are accustomed to. It is factual, apparently unbiased, and dull. There are many so-called morale-building programs furnished by the Ministry of Information. The propaganda is evident but it is not as sweet and sticky as ours. Unexplained periods of silence—intervals of a minute or so—occur frequently between programs, and one accustomed to the rapid-fire tempo of American radio is at first apt to think that the station or his radio has gone berserk. It is significant that the most popular programs are those of Bob Hope and Jack Benny rebroadcast from America.

Everyone is required to have a license for his radio which costs ten shillings a year. But I surmise it to be much like dog-license requirements and that many people risk confiscation of their sets as the price of not having a license.

The British Labor Party adopted some time ago a platform advocating nationalization of all means of transportation, banks, land, coal mines, and other basic industries. But the private attitude of most of the leaders of the Labor Party is different from that they express in public.

### Social Security for Business

I heard one of them say, half in earnest, that he feared a postwar victory by the Conservative Party because he thought "it would nationalize things too quickly and make a mess of it."

It is significant that Labor Party men who have gone conservative are those who have had a taste of power under Ramsay MacDonald and those who are now sharing the responsibilities of government. It appears that as long as these men control the Labor Party it would make very little difference to England who won the postwar election. The danger seems to lie in the Labor Party's more radical elements, such as the Laski group, getting control and putting their theories into effect. No one to whom I talked, however, thought that this was more than a remote possibility.

British business, which has never been

subject to anti-trust laws, on the whole tolerates and believes in the cartel concept. Lord McGowan has recently proposed a scheme, which found wide acceptance among businessmen, for the postwar organization of all British business into tight cartels under the ægis of a benevolent state. His scheme projects self-governing industry cartels which would be empowered to grant or withhold manufacturing licenses, compel the pooling of manufacture and sales, dictate prices, and allocate markets. The duty of these cartels would be first to their own communities, then to labor, and finally to the owners. It is, in essence, the old principle of NRA but with sharp teeth. It follows in principle the war regimentation of some British industries.

To one who thought McGowan's a good scheme I remarked that it reminded me very much of the guild organizations of the Middle Ages. He answered, "Yes, there are many good things we can learn from the Middle Ages."

Of course, cartels grant security to those who are members of them. Labor is given security of wages and working conditions, capital is given security from competition. I have heard it said that McGowan's scheme was the answer to the socialists' prayer, because as soon as industry got itself well organized it would be simple for the state to take over the perfected organization—which reminded me that Trotsky had observed that "the elimination of competition marks the transformation of stockholders into social parasites." I think the old Bolshevik said something.

Other schemes similar to McGowan's get widespread serious consideration and financial and moral support from leading businessmen. That they could meet with as much approval, in business and other circles, reveals great essential differences in the American and British concepts. I believe that I reflect the typical American business attitude; I was shocked by them. But Englishmen have become thoroughly accustomed to the cartel idea, as well as to state ownership of or state participation in many enterprises which we still regard as the sole province of individuals.

### Going Left by Right

But England's trend toward collectivism, or the totalitarian form of government or the welfare state or whatever one wants to term it, is evidenced not only by the acceptance of the cartel idea and state ownership of enterprise but by the widespread social program sponsored by the National Government. Legislation to implement these programs is being debated by Parliament, not with the de-

feat of the program as a goal, but critically, with a view toward its perfection.

The Beveridge Plan, providing social security from womb to tomb—prenatal aid to burial benefit—will, I am convinced, become law with only minor modifications. An education bill providing for compulsory schooling up to sixteen, part-time compulsory schooling to eighteen years of age, draws little criticism and will become law in something like its present form. A health bill providing for free medical services for all people in all circumstances also will become law in something like its present form.

### For Delegated Government

Herbert Morrison, the Home Secretary, from the left wing of the Labor Party, is very insistent that Parliament adopt a policy of delegated legislation, maintaining that the demands for postwar legislation will be so great that Parliament's present procedure will not be able to cope with the quantity. He proposes, as does our champion of this philosophy, Professor Hansen, that Parliament delegate most of its legislative powers to the administrative branch of the government and confine itself to legislation of broad character.

In this case, England would be governed by executive order. Conservative members of Parliament to whom I talked agreed that there was considerable sentiment in Parliament for delegated legislation and that undoubtedly Parliament would move in Morrison's direction.

Now if one asks an informed English businessman if England is going to the right or left after the war, he will probably reply, "Oh, no, England is not going to the left." But he will add, "Of course we will have something like Beveridge, state housing, the national health and education schemes, and full employment."

I call this "going to the left." It is statism. Certainly it is the New Deal. Certainly it grants the state a degree of control over the lives of the individuals that must make the Liberals of the early Victorian era turn over in their graves.

No one has answered to anyone's satisfaction how the schemes are going to be paid for. My own belief is that payment will be made in a lower standard of living, and, if the rest of the world does not follow suit, by the emigration of the most enterprising and adventurous Englishmen of current and future generations. A thousand years ago Iraq was a flourishing community of forty-five million people. Today it has less than one-tenth as many. A century ago Ireland had a population

of eight million; today it has only half that number. This dismal picture may be overdrawn. I hope it is.

But if one talks to the informed Englishman about postwar problems, he will find him preoccupied with one thought—"Britain must export." "We must export in order to eat." He is anxious for American "cooperation" in the postwar world. But when his various effusions are distilled off, the essence of his concept of "cooperation" is the opening of the American market to British exports. That is how he wants us to "cooperate."

England is in a pretty tough way. She has few natural resources: coal, iron, some worn-out tin mines. She must import a large part of her food, all of her oil, her rubber, and all of her nonferrous metals and industrial raw materials.

She is no longer a great creditor nation. So far in the war her creditor position has fallen from fourteen billion pounds prewar to about four billion pounds at present. Even this remainder is shrinking.

Due to lend-lease and our Army expenditures, Britain's dollar balance is improving. From a debit balance she has built up a credit of \$1,200 million, and this is growing. American soldiers alone spend thirty million dollars a month in England and the Red Cross is spending twenty-five million a year. The \$390 million which Britain borrowed from the RFC on the American securities held by British nationals has been reduced by \$87 million, 22.4%. Nevertheless, compared to prewar, there will be a sharp reduction in the returns from Britain's overseas investment.

Another of Britain's great invisible exports was the return from her shipping. She carried two-fifths of the world's ocean-borne commerce. Her merchant ship tonnage is now down and air transport will impinge on her passenger revenues. It will be some time before she can re-establish her position, if, indeed, it is ever re-established. Admiral Land states America's security demands a merchant fleet of fifteen to twenty million tons. He maintains it is vital to our defense. In 1943 we built twenty million; we are building in 1944 eighteen million tons. Britain had but twenty-one million tons before the war! If we follow Land's advice we will impinge on this old major source of Britain's revenue.

Britain must pay for her imports not only with returns from overseas investments and shipping profits but with exports. World markets do not present a pretty picture. Formerly the Continent of Europe took 30% of British exports. Russia will swallow some of it; the rest

will be impoverished. The self-governing Dominions took another 30%; the war has made them largely self-sufficient. India took another 7% but India's attitude is to trade with anyone but Britain. India, for instance, now gives the United States reverse lend-lease supplies but will not extend this principle to Britain. In addition, during the war India has built up a billion pound sterling credit which is growing at the rate of thirty million pounds a month. This contrasts with her prewar debit position of 650 million pounds sterling. If this credit cannot be funded in some way, it will have to be liquidated through British exports without compensating imports. Russia, of course, is a hopeful but unreliable possibility and it may be many years before she has a surplus of food and raw materials to trade. South America has great unsatisfied needs for industrial products and has the raw materials and foods that England wants, but South America took only 8% of British prewar exports.

### "We Must Export!"

United States, which took only 5% of British exports prewar, is the one great market which could absorb all Britain's industrial production and at the same time be the source of most of the raw materials and other things which Britain needs. Ours is the market England watches with covetous eyes. It is the reason why, when an American passes, Englishmen mumble to themselves, "We must export!"

*Fortune* recently summarized Britain's postwar position this way: "A highly conservative estimate for British imports on the long pull is £750 million—a sharp reduction from 1938's £938 million. But expansionists believe that at full employment Britain will need imports of at least £950 million (at 1938 prices). How would any such level of imports be paid for? In 1938 Britain had some £200 million coming in from overseas investments, plus another £122 million from shipping and other services. But the first item will certainly be halved in the postwar world, while shipping revenues will probably also be lower. To cover imports of £950 million, exports would therefore have to increase to about £750 million—a 30% gain over 1938 and nearly a 50% gain over 1936."

One point which I think *Fortune* overlooks is the effect of a social welfare state on British internal consumption of products which must be imported. If living standards are raised, people will eat and consume more products that must be



# A Kansas Manifesto

*Declaration of the Town Hall Committee of Wichita*

WHEREAS a state of extreme crisis is recognized to exist in the affairs of this Nation; and

Whereas this Nation was founded upon the principles of liberty, equality, and justice among all men; and

Whereas, through the experience of more than a century and a half, we have found these principles to be good, to wit:

We are now engaged in fighting a war for the survival of freemen on this earth, the importance of which cannot be too greatly emphasized by any man. Our efforts and the lives of those given in our behalf would, indeed, have been futilely spent if we were to win the military victory, yet lose the purpose of our fight.

Liberty (or freedom) is all things to all men who would neither deny it to nor restrain it from others. Its source is God, not governments or other men—a thing of the spirit, the mind, and the heart. All history has proven that its possession is retained only by those who would have the courage and faith to use and defend it at all times against all enemies.

The real strength of this Nation from the days of its birth and through all its history has had its source in one simple thing—the liberty of its people. Knowing that our great strength is the liberty of our people, we cannot now afford its loss, lest both we and liberty perish.

The only true and imperishable unity of our people lies in their common devotion to individual freedom. Today, as never before, this unity is needed, that we as a people shall live again in safety and happiness.

The proof of what freemen can accomplish in competition with all others in all fields of human endeavor needs no recounting. Our Nation, but ours alone, is the shining example through the ages.

For the past several years the people and their various governmental agents have been experimenting with our Government in attempts to alter both its form and substance, thereby creating and spreading confusion, unrest, and disunity throughout the land. This procedure should now be ended. We should now return to the basic laws and precepts of our Constitution. So many of us, so many times during recent years, have avowed our devotion to democracy, forgetting that our Nation is a republic—forgetting that no majority (nor minority) rules us, but rather that law governs us—that this law—the Constitution—must continue to gov-

ern us if we are to retain the blessings of liberty to ourselves and our posterity.

If we would be true to our God and country, our methods—both in peace and in war—must be those of free people. We shall need to practice freedom while we fight for it, so that in the end, when peace comes, we shall not have forgotten.

Therefore, in the exercise of those natural rights of freemen, retained by the people of the United States as set forth in our Constitution, we, the undersigned citizens of Wichita, State of Kansas, and of the United States, alarmed by the continuous increase through recent years of powers exercised by the Federal Government over and upon the citizens of the United States, these same to such an extent as to make evident a design on the part of this government to effect such control over the habits, the activities, and the lives of the people as to eventually render them incapable of retaining and exercising their God-given rights and liberties, do hereby make devotion to these principles and truths, and for the universal recognition and perpetuation of which, do pledge to ourselves and to each other, the use of our humble talents and efforts to bring the facts of this condition to the conscious and active attention of our fellow men, with the hope and prayer that prudence will determine and guide the actions of all to the end that the people of these States shall return to themselves and their local governments those powers and rights which have been usurped from them by the Federal Government at Washington, D. C., in violation of the spirit and letter of our Constitution.

Signed by:

E. C. Moriarty, John A. Bowdish, John W. Harwood, Cecil A. Jordan, L. B. Brown, Jesse Vowel, C. E. Scrafford, Neil C. Kreeck, Edgar C. Stewart, Henry J. Allen, S. R. Hawes, H. C. Brady, Bill Hoke, Geo. N. Pottorff, H. M. Gillespie, Geo. E. Reeves, Earl K. Duke, A. M. Denny, R. E. Mannis, Jr., Louis E. Potucek, Geo. R. Temple, Charles S. Ritchie, Phil H. Manning, Fred Cochran, Jr., E. W. Pyle, Dr. Geo. G. Anderson, H. C. Yarnell, F. Paul Jernigan, C. J. Chandler, C. H. Cunningham, Emerson Dole, Edwin N. Carlson, N. E. Black, Wm. L. Ainsworth, Percy G. Gibson, Elmer C. Moore, R. B. Campbell, W. Luke Chapin, O. A. Bell, Carl Moore, John H. Morrison, T. A. Morgan.

imported. Churchill's houses will take imported lumber, copper, bauxite and zinc. It seems to me that if the social program is put into effect, Britain's exports would have to be increased by a larger percentage than is estimated by *Fortune*. But even the problem it presents is formidable enough; and until it is solved Britain won't eat, Beveridge or no Beveridge.

There is only one alternative to this rather gloomy picture for England and that is the continuation of the principle of lend-lease whereby we will continue to give England food and raw materials equal to the deficit in her trade balance.

## As They See America

There is great interest among all classes in our coming election. If the English could participate they would cast their vote, almost to a man, for Roosevelt. He is facetiously referred to as "the best president England ever had"; and they like his Secretary of State, whom they refer to as "Cordial" Hull. Their one concern is the possibility of a Roosevelt defeat. He is given the credit for lend-lease, without which the British are convinced they could not have carried on. And no one else "could have guided America so skillfully into the war." They believe that without American postwar cooperation England would have a most difficult time. They believe that if the Republicans attained power there would be no chance for such cooperation. Republicans are regarded as isolationists. Willkie's resounding defeat in Wisconsin confirmed their views. Willkie, however, did not seem to be well regarded. They did not understand his "antics."

I was asked often what I thought America's foreign policy would be in the event of a Republican victory. My stock answer was that I did not think that American foreign policy would be decided by the election but by the policies of London and Moscow. I believe this to be a fact. No foreign policy will endure in America without the support of public opinion, and American public opinion will be determined by British policy in prosecution of the Japanese war, her policy toward Libya and Ethiopia, her policy regarding the aviation bases built with American funds, Moscow's policy regarding conquered Europe, and the restraint both nations show not only in their dealings with other European nations but in their demands upon us.

When asked why Congress had cut Roosevelt's request for UNRRA appropriations, I replied it reflected the people's fear of global boondoggling.



# Let Us Tell Them the Truth

*Virgil Jordan's Speech at the General Session of the 28th Annual Meeting of the National Industrial Conference Board, May 18, 1944*

IN a broad sense, it would be true to say that in all the 260 meetings of THE CONFERENCE BOARD during the twenty-eight years since it began its work, before the preceding World War, we have been discussing one aspect or another of the opportunities and problems of employment before, during, after and between wars. We talked about the same things a year ago, in this same place, under the imposing title of postwar reconstruction, and in the monthly meetings since we have examined one by one the more important elements in the enigma of postwar employment—inflation, capital investment, management-labor relations, markets, education and the rest—as today in our round-table sessions we have considered some of the special problems of re-employment, local and technical.

If, after all this discussion, you were to ask what we know about the opportunities and problems of postwar employment that we did not know twenty-five years ago, or a year ago, it would be hard to say. One feels rather that in the interval we have learned a lot of things that are not true, and forgotten or lost something that we once knew. Everyone senses that there is something new, different, more formidable, menacing and strange in the question today. Never before have we been so self-conscious about postwar employment, or put so much emphasis on the problem. Our anxiety about it might almost be classed as a new form of home-front war neurosis or civilian shell shock specially characteristic of this war.

## *Framing the Questions*

Why this is so is an important question in itself, which I shall not pursue tonight, beyond repeating what I have said in past meetings, which is that this total war employs so much more of the population than ever before, and consumes so much more of its output, that to find its peacetime economic equivalent as an employer and consumer is a much larger problem than ever before, though not necessarily a different one. The magnitude of the problem merely makes war much easier and politically more attractive than peace so long as governments put a premium on employment or income or consumption for their own sake, assume responsibility for

these things, and make political capital of them to maintain power. War today is a public-works program turned upside down. That is why someone has said that war has become the main instrument of domestic policy, and by a strange paradox men pursue social or economic security by dropping high explosives on each other.

## *In Room of War*

William James, the American philosopher, racked his brains back in the '90's to suggest what he called "a moral equivalent of war"—some peacetime mass activity that would be as inspiring, stimulating or merely as amusing as the martial life—and he came out only with a sort of mid-Victorian version of the WPA. Today we are less worried about the emotional than about the economic equivalent of war, but so far we do not seem to have been able to get much farther with our ideas than William did, despite the enormous and entertaining new industries that have developed since his time. The distracted statesmen of every nation in the past quarter-century have visited the Soviet Sphinx abroad and consulted the academic oracles at home. One after another, the mummies of every ancient economic formula for full employment have been exhumed and exhibited to the masses in modern semantic wrappings, but the statesmen, and businessmen, too, still circle swiftly in their statistical squirrel cages in search of the right answer to the riddle, hoping to discover the Secret of the Pyramids—at least the political secret of permanent prosperity and complete employment apart from war and its peacetime counterpart of fake work with fake money. One begins to wonder whether, in this ceaseless but so far unsuccessful search for the right answer, we may not have been asking the wrong questions.

I do not assume to say so. I only submit, in these few comments by way of background for our discussion tonight, that we had better begin by making quite clear to ourselves what the questions are, and making quite sure that they are what we in America and the ten millions of sons and brothers of ours for whom we are offering our answers want to know. In the hundred or more times I have discussed these matters in these meetings,

during the dismal and humiliating decade just ended, I have sometimes sought to amuse you and sometimes to move you, but now I shall tell you as simply as I can what is in my mind about them, for this crucial moment is an occasion more for candor than for eloquence or entertainment.

These ten millions stand tonight on the edge of an inferno of infinite force, facing or suffering torture of flesh and spirit which we can only dimly imagine and which will pursue many of them down the nights and down the days to the end of their lives. They have asked no questions. They know only that in one way or another their lives have been torn up by the roots from the American soil to save themselves and the rest of us from the danger of being driven to work and live for masters we do not choose to serve. Beyond that they do not ask why they are there, removed from the busy scene, outside the stream of life which flows on much as before, with others taking their places on the stage. They do not perceive the tragic paradox that in truth, despite everything, it is these martial masters who command their life and labor today—that, in the end, it was Hitler and Hirohito who put them to work, because no less in America than in England, Russia, Italy, Germany and Japan, there was no other work to do, and no other way to live.

## *The Paradox*

We are framing for them the questions of the future which are rooted in this paradox, and the answers, too, to comfort or encourage them in their trial and ourselves in our fear, against the time when they will return to the stage to take up the parts where they left off. But we are not telling them the truth, which we owe them and which would be the greatest gift our gratitude could give them, because we do not know it ourselves or will not face it. Somewhere along the road that led to this disaster during the decade of delusion, confusion and demoralization just ended we have lost or surrendered that unique and almost instinctive faith which heretofore, in every crisis or difficulty, had framed the questions and the answers for us infallibly. And having lost it we forgot what till that time every American

had always known, unconsciously and surely, from the beginning, which is that government at home or elsewhere in the world is ultimately the only enemy of peace or plenty he has to fear, because it has always been the greatest common multiple of the limitless greed for power among men and groups. This war should have reminded us of that, both in business and labor, but so far it has not, and so we face the future and frame our questions and answers for it confused and frustrated as we never were before, believing no longer in ourselves, but in the providence, omnipotence and omniscience of the unlimited State.

*The Wounded Spirit*

The greatest difficulty that faces us is that business itself, along with labor, has lost, or no longer has, any coherent conception, conviction or philosophy of its function. During the past decade it has suffered a deep wound to its integrity of spirit, a profound sense of inferiority or guilt, from which it has not been able to recover despite its spectacular accomplishment in this war, and the great problem of the future for it is to rebuild its self-respect and purpose which were dissipated and demoralized by the humiliations of the Great Depression and the persecutions of the past decade. American business is drifting toward the difficult problems of the postwar future without any clear and consistent philosophy of thought or action based upon any candid recognition of the facts about the economic or political consequences of the war, or upon any perspective of past experience, or even any principle other than that of momentary expediency. The current confusion and conflict of attitudes toward the crucial issues of postwar continuance of wartime government market controls is disturbing evidence of the demoralization and intellectual devastation wrought in the business community during the past decade. To any disinterested observer of the ideas and behavior of business in face of these fundamental issues of the future it must be evident that its capacity to think or act about them with candor, intelligence and integrity has been seriously damaged by ten years of exposure or surrender to the political word-changers, the academic cake-eaters and public-opinion poll-catchers of our time. Today, in every fundamental matter that affects the future of American life it mistakes a synthetic statistic like a national income estimate for a moral standard or a philosophical truth, and it has no ideas of its own till it has consulted the totem-poll and computed

the lowest common denominator of the passing opinion of a random sample of indifferent people on devious questions they know nothing about.

*Promises and Plans*

One after another it hopefully follows the ceaseless procession of spouting stooges of Statism who have promised some solution of these problems by easy compromise or expert plan. Its supreme conception of policy has been one of appeasement toward organized labor and organized bureaucracy—"peace in our time"—and today it is seeking escape from its political pessimism and economic despair in a sort of apocalyptic belief in the millennium based on the childish dream that America is a kind of patent cornucopia of automatic plenty or a bottomless well of unlimited wealth; that the war won't really cost anybody anything, and we can start where we left off after it is over as though it never happened. It imagines that exhibitions of public self-flagellation and conspicuous displays of synthetic hair shirts are a sufficient substitute for a rational and self-respecting business or labor philosophy. It still seems to believe that salvation is to be found in spectacular performances of soprano hog-calling by professional propagandists and organization promoters, or by offering itself as the sacrificial scapegoat for past economic sins or errors which were obviously universal. Even the business press has nothing to suggest as a slogan for the future except "more government and more gadgets," or for a business philosophy a warmed-over hash of Hansen's and Keynes's stale and sterile ideas about public spending, and doses of "whether you like it or not" fatalism about permanent public control, collective bargaining and the like, as though tyranny were more inevitable than poverty, or preferable to it.

*Labor Likewise*

We must not imagine that organized labor has escaped this process by which expanding government power demoralizes, dissipates and destroys the self-respect and integrity of groups of free citizens in the community. For its part it has been endowed or drugged by the State with a false sense of power which has its roots and nourishment in the same guilt-complex and sense of inferiority which has so profoundly crippled business, and which we may be sure will bring its own bitter disappointment, disillusionment and frustration to organized labor as time marches on.

But I am not attempting tonight to psychoanalyze the confusion, frustration and futility of either business or labor as they face the problems of postwar employment. It seems to me that before either or both can frame the questions and the answers of the future with truth and frankness for the men in the inferno of the far-flung battle line there are some fundamental facts we must face or falsehoods we must fight in ourselves if we are to keep faith with them. We may delude ourselves in these matters for a time, as we have been doing, but let us no longer lie to the men in hell about them. I shall mention a few of these fatal falsehoods briefly and bluntly before I introduce our speakers, and leave them with you till we meet again.

*Let It Be the Truth*

Let us not tell these sons and brothers of ours that we, or labor, or government, are going to guarantee them economic security and leave them their civil liberty and personal freedom, if they still want it. It is not true. The governments they are fighting have demonstrated in the past decade, and the whole record of human experience proves, that it is a lie.

Let us tell them rather that nobody can pledge them full employment as workers or permanent purchasing power as consumers without depriving them, one by one, of every individual freedom they have. Let us tell them frankly that no one can fix a national income figure for a people or enforce a statistical standard for employment or payrolls or consumption and still leave everything, or anything, about the life, labor or thought of everybody or anybody as it was before.

Let us tell them instead that nobody, business or government, can plan tomorrow's employment for anyone without planning his occupation, spending, saving and consumption for him.

Let us not conceal from them the rigorous iron chain of cause and effect which has always bound together and still links compulsory security, compulsory saving, compulsory labor, compulsory consumption, compulsory occupation, location, leisure, speech and, finally, thought. No one yet has broken that chain wherever it has been forged by the hammer of political ambition on the anvil of mass ignorance, indolence and fear, and never will, except by force of violent revolution to which it inevitably leads.

Let us not pretend to them that, for the first time in human history, something has happened in America while they were gone that makes the words "national planning"

mean anything different in the end from personal compulsion.

Let us rather tell them the bitter truth that the quarrels and conflicts we have been having here at home about economic rights and privileges are a tragic illusion, and that the ultimate question beneath them all is not whether somebody's plant can be seized for any reason, but whether any businessman or labor leader, or anybody whatsoever, can be shot in the back of the head for no reason at all. They may understand that, because, before they emerge from the inferno where they are suffering and have crushed the irreversible force they are fighting, they may have seen with their own eyes, and without looking under the bed, the ultimate implications of unlimited government power to do good to others, at home or abroad, in terms of concentration camps, corpse-filled trenches, and ruined cities.

Let us tell them these things truly, even though they may not care anything about them. Like many of our businessmen who have abandoned the flesh and the devils and the dangers of the world of freedom and bedded down in the bureaucratic lamaseries in Washington, these boys may come back believing that civil liberty is less important, or less problematic, in the future than a full belly. Let them choose, but let us not, as economists, businessmen or labor leaders lie to them by making them believe that we or government can give them both.

Above all, let us not tell them that because business or government did not and could not give them both freedom and full employment, either in the Thirties or at any time before in the past century and a half, business betrayed them or the American idea has failed. They are being told this day by day, as we have been during the past decade, not only by the word-changers in Washington but by businessmen and labor leaders, and it is a falsehood more cruel than any wound of flesh or faith this war will inflict upon them. The self-betrayal that lies beneath any such confession of sin or repudiation of the past on the part of business or labor leaders is a brutal breach of trust to the millions of son and brothers who are defending us, for it destroys their faith in America and abandons them to the darkness and despair of dependence on the state which is the spirit of that hopeless purgatory of Europe and Asia where they are.

Let us not confirm to them by our confusion and fear the falsehood that business in the Twenties, or at any other time, was a thing apart from everyone else in America, a collective group of people with

complete power and sole responsibility to make prosperity or depression for everyone else, which they were too wicked, selfish or stupid to use with the wisdom, benevolence and purity which has since been permanently established in public office. Though most of these boys may have been too young to remember it, they and their parents were as much a part of business as everybody is today, and as they will be once more, sharing its sins and its virtues, its failures and its achievements with everyone in America. The errors or crimes, the ignorance or greed, the indolence or injustice which may have brought down the great depression of the Thirties, or any of the past, were the common weaknesses of all, to which none in the community were immune, in America or elsewhere in the world. Those who were above them, or who knew better, may be blamed for silence or for impotence; but the record then, as always before, shows that no group among us and no government had a monopoly of guilt or of innocence, of folly or wisdom in this economic calamity or any others we have endured. To pretend otherwise is worse than falsehood. It is treason to the spirit and faith of American life; and business leaders, above all, should be humiliated that any among them should lend themselves to it, for whatever purpose of passing popularity or power.

### *Let the Record Speak*

It does not matter to me what others may do or say about these things henceforth, but when some smooth-tongued wizard from Washington or elsewhere puts to me the typical twisted question with which the patriotism and pride of the American people has been slowly poisoned during the past decade, and asks whether I want to bring back the days of Harding and Coolidge and Hoover, of Teapot Dome and Ed Doheny and Albert Fall, and Insull or Musica or Whitney or what not, I shall look him straight in the eye without shame or fear and say: "Yes." And if anyone asks me why, I answer him in the moving words which a Russian immigrant of many years ago, Simeon Strunsky, set down unnoticed sometime since in his column in *The Times*:

"It is not true that the only kind of America worth defending is the 'better' America which we expect to build after the victory has been won. This war is justified if fought only for the defense of America as it is in 1943. It would be a justifiable war for the America of 1939 and of 1925, which is approximately the date of Teapot Dome. It is a justifiable war because it is being

fought in defense of the whole American record through the years, white and black.

"What is that record and what is that nation? Our discontented college youth of a few years ago, educated by two decades of savage devaluation of America, complained because we had no flaming American ideal to compete with the dynamic ideal which Hitler and Mussolini and the Japanese official murder fraternities provided for their own youth. But if our young people had looked at the American record in the whole and in its essentials, they would have found an American purpose to enlist their loyalty and stir their pulses. The country which we are defending today was there five years ago, and twenty years ago.

"What is this America that we are now fighting to defend? For more than a year after the collapse of France, England alone held the gate against Hitler. Without the English stand, America would have had no time to become the arsenal of democracy. But without the good hope of American aid England might have been unequal to the mighty task. We are the hope of the world today in the sense that we have the final say. We have the casting vote for victory and we have cast it for humanity and civilization.

"That is the kind of America people are asked to defend—the old hope, the old record. When our young people a few years ago envied the flaming faith in the hearts of Hitler's and Mussolini's young men, did they happen to note the identity of the country to which the victims of Hitler's and Mussolini's crusading faith were fleeing for refuge? The refugees came to America, as the refugees have been coming to America for more than 300 years. The victims of the Hitler terror did not stipulate for a better America before they consented to seek refuge here. Our old American Status Quo was plenty good enough for them. Our old American Status Quo gave them life, liberty and livelihood.

"What, then, do we seriously mean that the America of the 12,000,000 unemployed ten years ago is the hope of the world? Yes.

"The America of the Economic Royalists and utility pirates the hope of the world? Yes.

"America of the Ku Klux fanatics, of the Negro lynchings, of the Dillingers and the corrupt politicians—this America the hope of the world? Yes.

"One need not take America's word for it. Ask the people of Britain, Russia, China and the conquered and martyred nations of Europe what they think of the American record."

So, gentlemen, though times change and no man can swim the same river twice,

and we can and should admit that we might have done better, and hope to do it, we must take America all together as she was and is and will be, an inseparable whole, priceless and irreplaceable.

When we speak to our sons and brothers on the battlefield or to our comrades at home of the aspirations and problems of the future against the efforts or failures of our past, whether as business or labor leaders, let us not abandon or abate the smallest bit of our integrity, loyalty or self-respect or pride as a group or as a people, or repudiate or bargain away for whatever benefit or favor from the present or the future the least thing, good or bad, in the qualities or the record of the past of our country or our people. To do otherwise for a moment is to leave these millions abroad spiritually homeless, exiles and castaways on alien soil. They may not care, or know now whether they do or not; but let us remember that if we are to win this war, we have not merely to bring these boys back to America, but we have to bring America back to them.

### The Unchosen Instrument

The May twenty-fourth Transatlantic Edition of the *Daily Mail* contains an account of further Parliamentary debates on postwar civil air policy. The policy of the British Government is to have one chosen instrument which would receive all subsidies. During the debate, Lord Rothermere made this observation:

"I fear that if America is going to have competition by private enterprise, that competition will, in the end, be far too great and effective and efficient to be beaten by a single monopolistic chosen instrument."

After a decade of toleration, interests will have become vested who will find for continuance of controls and theorists will rise to defend them and even to argue for a totalitarian economy. One group will be apprehensive of inflation, another of deflation, if the controls are removed. These apprehensions have some warrant in theory and in precedent, but they fail to give due consideration to the necessities of the individual enterprise system. If the price of any commodity rises or falls with respect to the prices of other things due to scarcity or plethora, the rise is tell-tale and self-corrective; it is prices that direct production and distribution; it is prices that guide the economic system when markets are free.—Prof. Ray Westfield of Yale.

### Books

## Two Shapes of Thought

*As We Go Marching*, by John T. Flynn

Doubleday, Doran & Co. Inc., publishers

*Mobilizing for Abundance*, by Robert R.

Nathan. McGraw-Hill Book Company, Inc., publishers

BY READING these two popular books in sequence, Mr. Flynn's first, one may see how current thought is fashioned. It is as if by an effect of brilliant lighting, and without meaning to do it, Mr. Flynn had made the dimness in which Mr. Nathan juggles the beautiful bauble of miraculous abundance under perfect social control.

If government is what Mr. Flynn thinks it is, freedom is probably lost. We are marching straight into the swamp that swallowed it up in Europe; we have already adopted "four of the factors of five that make Fascism," namely, (1) consumption subsidized by public debt, (2) planned economy, (3) militarism as an economic institution, and (4) imperialism on the horizon.

If, on the other hand, government is what Mr. Nathan thinks it is, freedom can be saved by an act of surrender, that is, by submitting itself to be planned and managed by government; and it will be, after all, a pleasure. "Sometimes," he says, "the most effective medicine is most pleasant but people usually prefer the bitter medicine. Actually, the solution of our economic ailments can be most palatable."

There is the possibility, however, that the nature of government is what it always was and has not changed at all, which would mean only that the problem of how to reconcile government with liberty is still unsolved. We thought we had solved it here and we appear to have been wrong. The forefathers thought they had solved it when, calling it a republic, they created a constitutional, representative, limited government, with emphasis on limited. It is important to remember where the emphasis was. You could have a constitutional government or a representative government or one both constitutional and representative and still it might be unlimited; and all the history of man's effort to solve the problem proves that unlimited government and freedom cannot exist in one sphere. The supreme political invention of the American Con-

stitution consisted in setting at the heart of government a self-acting mechanism of limitation called the checks and balances. That was the device of three separate and equal powers—the legislative, the executive, and the judicial—each designed to limit and to be itself limited by the other two.

A time of limited government was then beginning in the whole world. The prodigious energies of free men were going to be released and the consequences were unpredictable. Few will deny that the one hundred years from the close of the Napoleonic wars to the outbreak of the First World War in 1914 was the magnificent century in the economic story of mankind. Why was it? Why was it possible to create in one century more wealth than had been created in all the time of man on earth before?—possible to advance the material well-being of the race to the point at which man for the first time conceived the thought of abolishing poverty? Neither Mr. Flynn nor Mr. Nathan seems much concerned with that question. Each in his own way passes it by, as if we could find the answer in the elementary textbooks.

The great feature of the magnificent century was invisible. You may define it as a decline in the power and authority of government touching the economic affair. Government did not actually shrink nor did it relax the hand of control. That is not what happened. In the nature of government that could not have happened. Simply, the world that government controlled withered in its grasp. In place of it came a new world that contained the industrial revolution, the development of credit banking, the intensive application of science and invention to the multiple production of wealth. This new world was free because it was new, and because it was free the reckless spirit of enterprise soared. Banking was the banker's business, production was the enterpriser's business and trade was the trader's business, all saying to government, "Only let us alone." Government did let them alone, not by a deliberate or intelligent choice but because it was bewildered. This new world that had got free was strange and apparitional and moved with incredible speed. No government understood its mechanisms; even the levers of control were mysterious. The first problem of government, therefore, was how to know this world, how if possible to know it better than it knew itself. The next problem was to overtake it.

The excellent part of Mr. Flynn's book is a special account of the overtaking. By a kind of instinct government perceived

that the source of magic was finance, and when it understood this and had learned the theory of finance, public debt began to be employed as an instrument of political and social policy. Formerly, immemorably in fact, government had been limited less by law or revolution than by its purse. It could spend only what its tax gatherers brought in, plus what it could borrow in a pinch from the money lenders, which was never much and generally had to be somehow paid back. But with the amazing mechanism of credit banking provided, and free access thereby to the reservoirs of private capital, new vistas of power and grandeur were open to government. By going into debt a government could for the first time redeem its promises to confer benefits upon the many; by pawning the future it could bribe its people in the present. It had only to pay the interest on what it borrowed. When the principal came due it could be refunded. In reason that might continue for a long time, provided the public debt increased no faster than the growth of actual wealth. It did in fact continue for a long time under a fiction of solvency. Then came the First World War and with it the ultimate revelation, which finance itself did not foresee and could hardly believe. The revelation was that a government could conduct war for an indeterminate time without a gold chest. It could print the money, or print bonds and exchange them for money, which came only to the same thing. Indeed, the thing to do in time of war was to forget money and throw solvency out of the window.

It was then that private finance lost control of its own world. The ultimate power to manipulate credit and debt passed to government. Private finance lost at the same time its moral authority. It could not penalize a government that had in a deliberate manner embraced insolvency and repudiation, as for example in the case of Germany. After the great mark swindle, international finance was obliged for political reasons to lend Germany the gold on which to base a new currency and start all over again, as if nothing had happened. After that, repudiation by government was respectable. Every great government in the world resorted to it in one way or another, even the American Government, and deficit spending—the debt be damned—came to be recognized as an honorable and necessary technique of government. Lastly, the rationalization, now advanced to the plane of social doctrine—the doctrine, namely, that government is obliged by deficit spending to sustain the national income, or, that is to say, provide people with pur-

chasing power when they are unable to provide it for themselves, or enough of it to support a standard of well-being.

Mr. Flynn tells how Mussolini did it:

"It is entirely probable that Mussolini believed a balanced budget a good thing and consistent with his other promises. But Mussolini's policies were made for him by the necessities of power, not by the laws of economics. At the very moment he was boasting of a balanced budget he was on the eve of a huge deficit of nine billion, in 1926-27. The year after that he balanced the budget once more so far as his books showed, and this was his last. From then on Italy was to float upon a sea of deficits, of spending and ever-rising national debt. . . .

"Mussolini made no secret of the fact that he was spending. What he concealed was that he was loading the state with debt. The essence of all this is that the fascist architect discovered that, with all his promises, he had no formula for creating employment and good times save by spending public funds and getting those funds by borrowing in one form or another—doing, in short, precisely what Depretis and Crispi and Giolitti had been doing, following the long-settled practice of Italian governments. Thus spending became a settled part of the policy of fascism to create national income, except that the fascist state spent upon a scale unimaginable to the old premiers save in war. But in time the fascist began to invent a philosophical defense of his policy. What the old prewar ministries had done apologetically the fascists now did with a pretension of sound economic support. 'We were able to give a new turn to financial policy,' says an Italian pamphlet, 'which aimed at improving the public services and at the same time securing a more effective action on the part of the state in promoting and facilitating national progress.' It was the same old device plus a blast of pretentious economic drivel to improve its odor. Thus we may now say that fascism is a system of social organization which recognizes and proposes to protect the capitalist system and uses the device of public spending and debt as a means of creating national income to increase employment."

And how Hitler did it:

"Once Hitler was in power the moment for mere promises was over. He had to deliver. He had denounced Bruening for the rising unemployment and the whole republican regime for its spending and debts. Now he had to end unemployment. But he had no plan. He had to resort at once to the time-worn device that had been used by Pericles, Augustus Caesar, Louis XIV, Bismarck, Giolitti, and the republican

parliament of the Reich. He had to spend money and borrow what he spent. And he had to pretend that all this was quite new and novel.

"He spent vast sums on all sorts of things. He outdistanced his neighbors in looking after the submerged tenth. He launched projects to create work. He spent money on projects to increase the birth rate, improve health and reduce crime, on schools, roads, railways, playgrounds, house-building projects, home repairs, farm subsidies, and even on his widely publicized scheme to enable Germans to enjoy at low rates excursions of all sorts. Then after 1935 he launched his grandiose schemes of militarism with the restoration of conscription and a great program of armament building. Some of the money was raised, of course, by heavy taxation. But most of it was obtained by the use of government credit. . . . These vast sums were borrowed from the people to as great an extent as propaganda appeals and compulsion could induce them to lend. But the mainstay of borrowing in Germany, as here, despite all the fancy tales told of new and ingenious fiscal inventions by Schacht, were the banks."

And then how the New Deal did it:

"Just as Mussolini and Hitler denounced their predecessors for borrowing and spending and then yielded to the imperious political necessity of doing the thing they denounced, so the New Deal, once in power, confronted with a disintegrating economic system and with no understanding of the phenomenon that was in eruption before its eyes, turned to the very thing it denounced in Hoover. But there was a difference. Hoover's deficits were the result of failure of revenue and were unplanned. Mr. Roosevelt's *first deficit* was a *deliberately planned deficit*.

"Having denounced timid deficits, the administration embarked upon a program of huge deficits, but it did it in characteristic American fashion, with proclamations of righteousness as if America had suddenly discovered something new. In fact, it was called a *New Deal*. Actually, it was America dropping back into the old European procession.

"The recession of 1937-38 marked a turning point of the greatest importance in American public policy. Up to this point spending had been done on the pump-priming theory. That is, public funds, flowing out into business, were expected to produce a resumption of business activity. But business utterly failed to respond to this treatment. Apparently the pump itself was seriously out of order. From this point on we hear no more about balanced budgets. We find the administration committed to the same policy that marked the fiscal programs of republican Germany.

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It turned to the device of public spending and borrowing as a continuing and permanent means of creating national income."

There is no trick to it, says Mr. Flynn. Any government can do it. So long as it can borrow and spend it can create employment. But no free government can keep it up. A time comes when "the state is in desperate fiscal trouble and the vast debt makes the use of further borrowing as an escape impossible. But in a despotic government, where neither people nor banks have anything to say, the dictator may impose his will to continue this practice for a longer time. In the end, however, it is an impossible system of national existence and even Hitler could not harness his people with it indefinitely save by invoking the patriotic motif and engulfing his nation in a war."

The consequences are inevitable. America, Mr. Flynn thinks, is on the last mile; and here he speaks despairingly.

"We began this experiment in 1933 under the pressure of an internal economic crisis. When the war ends, with its inevitable chaos, unemployment, and world commitments, we must continue it under the inexorable compulsion of the postwar crisis. And there, indeed, is the secret of this whole black chapter. It is born in crisis, lives on crises, and cannot survive the era of crisis. By the very law of its nature it must create for itself, if it is to continue, fresh crises from year to year. Mussolini came to power in the postwar crisis and became himself a crisis in Italian life. Then he conjured up new crises—the imperious need for Italy's domination of the Mediterranean, the need for further colonial expansion that produced the Ethiopian crisis, after which crises were produced for him in the aggressions of Hitler to whom he instantly attached himself. Hitler's story is the same. And our future is all charted out upon the same turbulent road of permanent crisis."

This, we say, is the excellent part of Mr. Flynn's book. Then suddenly he puts us adrift on a nameless sea in very bad weather. In that sea even governments are helpless. They have to run before the wind. "The most terrifying aspect of the whole Fascist episode," he says, "is the fact that most of its poisons are generated not by evil men or evil people but by ordinary men in search of an answer to the baffling problems that beset every society." If it had not been Mussolini in Italy or Hitler in Germany it would have been someone else. During more than forty years Germany had been struggling with "certain defects seemingly inherent in the

economic system," for although the nation grew in prosperity and wealth, poverty remained, and at frequent intervals there was depression. And here, too, says Mr. Flynn, it was the same problem that confronted government, because—

"The system of production and distribution by private owners using money as a means of distribution develops certain defects in operation. . . . When the victorious Democrats came into power (1933) the administration did what precisely Mussolini and Hitler did—it threw practically all of its important points into the waste basket and adopted a wholly different policy. . . . The public clamor for benefits, the cries of insistent minorities for relief and work, the imperious demand of all for action, action in some direction against the pressure of the pitiless laws of nature—all this was far more potent in shaping the course of the administration's fiscal policy than any fixed convictions based on principle. An unbalanced budget, after all, is a more or less impersonal evil, not easily grasped by the masses; but an army of unemployed men and the painfully conspicuous spectacle of shrinking purchasing power are things that strike down sharply on their consciousness. It is not easy, perhaps, to eat one's words about balancing the budget. But it is easier than facing all these angry forces with no plan. It is easier to spend than not to spend. It is running with the tide, along the lines of least resistance. And hence Mr. Roosevelt did what the premiers of Europe had been doing for decades. Only he called it a *New Deal*."

The defects of free private capitalism, regarded as a system, may or may not prove fatal. Mr. Flynn isn't sure. He is sure that if Fascism comes to America it will come at the hands of perfectly authentic Americans who are convinced that the present economic system is washed up, that the present political system in America has outlived itself. But—"If national socialism is not the answer to the troubles of the capitalist system, then what is?" Having asked himself that question he has no answer, or at least not yet. For himself alone he would take the capitalist system with all its evils, but he doubts if the people will, because its evils are such, "weighing as they do upon the least favored elements of the population, that some intelligent and rational solution must be found or the fraudulent messiahs will have their way."

Unhappily, he does not know what that solution is.

No wonder then that the people turn to a book like Mr. Nathan's. He says he has the answer. He knows the only in-

telligent and rational solution. The importance of his book is fortuitous, not intrinsic. It is in the stream, it bears the imprint of New Deal philosophy and it states the orthodox case for deficit spending raised to the plane of social policy. Twenty-five years ago it would have had a very limited circulation because so few people would have understood then what he was talking about. Meanwhile they have been educated to lean on government and now it seems quite simple.

What is the solution?

First the throttle shall be set for a national production valued at \$150 billion a year. This figure is a statistical imperative. Then it becomes the responsibility of government to keep the machine going at that speed in perfect balance. In order to discharge its responsibility the government must control the distribution of the national income; it must mind what people do with their money, how they divide it and how they spend it. A few, if let alone, would save too much, and one who saves too much is one who withholds immediate purchasing power from those below him who do not or cannot save at all. Therefore, to offset unnecessary and anti-social saving—which with an income of \$150 billion might amount to \$15 or \$20 billion a year—the government must spend where the people won't, because total spending, says Mr. Nathan, is the key to prosperity. "Government spending," he says, "in order to absorb or offset idle savings can be financed in one of three ways. First, the revenues can come from direct taxes at those income levels where large savings are made; second, there can be a continued increase in the government debt; and finally there can be the printing of paper money." His own preference is for the three ways in the order named.

Since there must be total spending, and since social security, which of course must be greatly extended, now represents compulsory saving at low income levels where there should be no saving at all, Mr. Nathan comes to a problem. The solution, he says, is to require from the beneficiaries of social security, and from the employers, token payments only; then let the real cost of social security be met by direct taxation.

"If," says Mr. Nathan, "the revenue for social security benefits comes primarily from direct taxes, in effect the system serves as a mechanism for a moderate redistribution of income. That is, the middle and the higher recipients will be financing a considerable portion of the benefits received by those in the lower income brackets."

Certainly. The middle and higher income recipients could have guessed that for themselves.

How much can the higher brackets stand? Mr. Nathan, of course, would think of that. Thinking of it brought him to a discovery which, if only it were true, would solve everything. By squeezing the rich you make them richer. That is the discovery. To be sure we make no mistake we quote the text.

"If through a moderate redistribution of income we could reach and maintain a much higher total production, all classes of society would benefit. If, for instance, through taxation and social security measures, we effected a shift in income distribution so that the highest 10% of income recipients received, let us just assume, 25% instead of 35% of all the income and the poorest third received 10% more of the total income, with the result that the national production rose to \$150 billion rather than \$100 billion as in 1929, all groups would be better off. The highest 10% of income recipients would have \$37.5 billion rather than \$35 billion."

We cannot understand why Mr. Nathan stopped there. If he had squeezed his rich one-tenth again, reducing their share another 30% from 25 to 17½, and if in the same way the effect were to increase the total national income by one-half, he could have brought them out with \$39.3 billion instead of \$37.5 billion. If he had done it again in the same proportions he

could have brought them out \$41.3 billion instead of \$39.3 billion, and so on and on.

Thus instead of killing the golden goose you put it through the wringer and the silly animal will thrive on it.

Mr. Nathan says there is nothing in his proposals "not consistent with the continuation of our free enterprise system." They are, he thinks, "entirely compatible with economic and political democracy."

Such emulsive words, freely introduced, are evidently intended to make the cure pleasant to the taste. There is to be no bitterness at all, unless people want to imagine it.

The cure is compulsory abundance, meaning a standard national income, fixed and guaranteed by the government, and then, of course, standard employment, standard wages, standard consumption which would be in fact compulsory too, and in the end we suppose a standard of human happiness. Mr. Nathan is so intent upon trying to prove that his perfect "must" economy would be bound to work that it seems never to occur to him that there may be a liability in the shape of people. He seems unable to imagine that some might not like to live in that kind of world. If you ask whether government can guarantee abundance for all and security for all without requiring at the same time, in the words of Jordan, "a progressive sacrifice of civil liberty and personal freedom for all," you will not find the answer in "Mobilizing for Abun-

dance." Not only is the answer not there; the question is entirely left out. You will find both the question and the answer in Mr. Flynn's book, and we recommend Mr. Nathan to read it.

The common ground between Mr. Flynn and Mr. Nathan is that both denounce the system that was because the abundance it produced was not distributed in an ideal manner, and because notwithstanding a prodigious increase of wealth, poverty remained. Both make an image of the system and project upon it all blame for the sins and failures of people. Their quarrel is with people really, and they do not know it. Would Mr. Flynn denounce Christianity as a system of moral values because people have never been able to live up to it? The weakness of capitalism, regarded as a system, is that it demands from people more character, more foresight, more fortitude and self-discipline than they generally possess. Nevertheless, it was free capitalism that did, with no benefit of government, diminish the evils of poverty to a point at which the grim and hopeless misery that was accepted as the common lot of common man at the beginning of the 19th century now is almost unknown in the Western world. Certainly it is unknown here. The only poverty we know, the only poverty that remains with us is relative. No government past or present has a record like that. Yet now it is government that proposes to abolish poverty by law and compulsion.—G. G.

## Planned vs. Free Markets

*An address by Mordecai Joseph Brill Ezekiel, Economic Advisor to the Secretary of Agriculture, at the Forum Session of the 259th Meeting of the National Industrial Conference Board*

**A**LL production is planned. No farmer harvests a crop, no manufacturer makes a product unless some one has first planted seed or built a factory. The question, however, is whether those production decisions of individuals are made solely in response to the price on a competitive market, or whether they are made in response to an appraisal of the economic situation which, in some organized way, looks beyond the price itself and which involves some conscious program as to future developments.

In wartime, there is no question but that production must be planned, and planned under public direction. During the war, the Army, Navy, Maritime Commission, and Lend-Lease Administration plan the market on the basis of an ascending scale of demands that strains our productive capacity to the limit. Our great

increase in industrial production since 1940, with output now more than doubled, shows what American industry is capable of turning out when it is sure of markets for its products.

With respect to postwar markets, two extreme sets of ideas are abroad in the world. One set holds that the major thing we need to do to create full employment is to enable private businesses to buy and sell in free markets without restraints or guidance, except those necessary to prevent monopoly or restriction of competition. This philosophy is represented in our domestic affairs by the anti-trust acts and the Federal Trade Commission, and in international policy by the trade agreement program and Article VII of the lend-lease agreements. This set of ideas is peculiarly American, and we are its chief exponent.

The other set of ideas holds that some kind of administered, planned, or scheduled production and exchange are necessary if business affairs are to be conducted with any degree of order. This concept seems to be dominant in England and among Continental businessmen who stress the need for planning by organizations of private businessmen, and who minimize the danger of resulting monopolistic actions. It is used by the great international cartels and the French, German, British, and American concerns which make up these cartels or cooperate with them, to justify their monopolistic activities, including some practices which would not be condoned by the exponents of planning.

A second variant of the same idea stresses the need for planning, but with public agencies or governments participat-

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ing to insure that the general welfare is safeguarded. This form of the idea is present in the farm program of the United States, with its governmentally assisted support prices, production goals, and even-normal granary operations, and in the parallel farm programs of most other great agricultural nations before the war. Our direction and advance scheduling of wartime production by WPB and War Food Administration, and the wartime integration of production and exchange among the Allies through all the various combined boards, represents an extreme development of such government-controlled planning to meet wartime needs. The full national planning of investment, production, and consumption in the Soviet Union is, of course, the single case of complete national planning of the internal economy as standard peacetime practice.

### The British Idea

A thoughtful unofficial statement of the British point of view which supports planning under government auspices was made by Lord de la Warr, one of Britain's leading labor peers, in a speech last January. He said:

"Maximum production and maximum consumption is only possible in a world that is socially and economically organized. Why? Why not encourage everybody to produce as much as they like and then sell to a free market? Plenty will make for cheapness and cheapness will enable everyone to buy. All very easy, is it not? The only answer is that we've tried it and we are not sufficient fools to try it again. And therefore we know in fact that we will not get to maximum production unless producers in all countries have security of market and of price to enable them to make long-term plans based on confidence."

The Federation of British Industries, which supports the private-planning method, gave a detailed statement of its views in its recent report on international trade policy. That report said:

"An orderly world economy presupposes a certain measure of guidance on broad objectives, the ultimate aim being to encourage the expansion of industry, but not to interfere with the day-to-day conduct of detail. . . . International action, based on existing machinery, might be taken to examine the problems of postwar raw materials (tin, rubber, wheat, sugar). . . . International arrangements for semimanufactured goods and manufactured goods in the making of which fashion or variety plays a large part might present great difficulties.

"Industries should examine this problem to see if it is possible or desirable to negotiate international arrangements with similar industries in other countries. The proposed International Economic Council should be entrusted with the task of coordination and ensuring that these arrangements operate in the common interest."

### Believers in Competition

The American preference for competition instead of planning after the war has been clearly stated by Eric Johnston, of the United States Chamber of Commerce, who told the British Chamber of Commerce, in London, on August 18, 1943:

"Virtually alone among the world's great nations, the United States has legislated emphatically and repeatedly against artificial monopoly and artificial trade practices. Our laws utterly forbid such domestic devices as the dividing of markets, the allocating of outputs, the fixing of prices by trade groups. . . . It follows that no American can intelligently and sincerely promise you any cooperation in any system of world-wide controls. Our law is unsympathetic toward it; and our temperament is utterly hostile toward it. The average American would call it economic imperialism, and he is against it."

This American position is reaffirmed by the National Association of Manufacturers, in its pamphlet on "Jobs-Freedom-Opportunity." It recommended that business should "make every effort to bring about the ultimate restoration of competition, restricted or eliminated as a result of the war, and thereafter do everything possible to maintain a healthy vigorous competition; for it is through competition we get the rivalry among business enterprises which leads them to produce new and better things at lower prices for consumers." With respect to foreign trade, the NAM report added:

"Fair competition is equally applicable whether it concerns domestic or foreign trade. Fair competition under a system of prices determined in a free market affords the best utilization of human and natural resources, capital, engineering, etc. Governments cannot be trusted to replace the system of free prices developed under the free enterprise system by central 'economic planning' or other artificial measures which experience shows are dictated by special interests rather than by the general economic welfare.

Despite this difference of opinion on competition, all students of postwar problems agree that we cannot establish or

maintain prosperity unless we keep busy—unless we find ways of providing useful work for all those who wish to work, of enabling the workers to share in the consumption of what they have produced, and of maintaining such a flow of buying power as to support continued high activity. Some emphasize not merely high employment but also highly efficient employment. They stress wage systems which encourage high individual output, encouragements for technological progress which maintain or accelerate improvements in methods of production, and incentives to the replacement of obsolete plants and to the prompt utilization of newly discovered methods or processes.

Efforts to plan markets through private actions may tend to run counter to this general objective of full and expanded output. Cartels and monopolistic arrangements have the avowed purpose of maintaining prices of the particular industry concerned at stabler and higher levels than would otherwise obtain—in the words of the Federation of British Industries, "to protect both producers and consumers from the loss and risk for which extravagant fluctuations of market conditions have been responsible in recent times." Unfortunately, such "protection" to the producers can come only from maintaining prices and profits higher than would otherwise prevail under the same conditions, or from preventing or delaying the introduction of technological improvements. In either case, the higher prices mean lower sales; the lower sales in turn mean lower employment, less production, and less consumption. While the profits of the industry may be higher, the rest of the economy has less goods and less work.

### Alternatives

This is, of course, the classical argument against monopolistic restrictions. It may be well, however, to contrast this general argument with the alternatives which the producers and consumers may face in particular industries in the postwar period.

We must recognize that no planning for a single industry or a single market can cure the difficulties of general depression or general stagnation. Efforts to correct conditions of general unemployment by shoring up individual industries are merely applying patchwork to a general problem. Industry and government could, if they wished, develop methods of scheduling and underwriting high levels of production and employment throughout industry. No such detailed planning for full production under peacetime conditions is being given serious consideration in the United States

at the present time, so far as I am aware. The following illustrations do not attempt to deal with this general problem of the level of production as a whole, but rather to consider where advance scheduling may be useful in specific limited circumstances.

Certain products are produced under conditions where pure competition may increase immediate output, but actually reduce the eventual volume and amount of production. In certain fisheries, and in sealing, and whaling, excessive catches may reduce the natural reproduction rate, or even destroy the resource. In the case of lumber, unrestricted cutting can similarly threaten future lumber supplies. Competitive drilling of oil wells may waste a large part of the oil which would otherwise be recoverable. In each of these cases, planned utilization of the resource, including even restriction of the rate of current production, may serve to secure or sustain the maximum yield. Planning in such cases may therefore be in support of long-run abundance rather than of scarcity. Whether such production planning inevitably calls for sales and price planning as well, and whether the arrangements should be privately administered or under public control, raises other issues not discussed at this point.

### *The War Plant*

A different set of problems will exist in certain industries that have been greatly overexpanded as a result of the war. Shipbuilding, aircraft, aluminum, and magnesium are cases in point. Both here and abroad productive capacity for war purposes has been expanded far above potential peacetime needs, even for full employment. One alternative in settling the affairs of these industries would be to employ pure competition. That would involve knocking down all the government-owned plants to the highest bidders, encouraging all the plants to try to keep in production, and then standing on the sidelines and applauding while overproduction and low prices encouraged expanded uses for the product. This would drive some of the concerns into bankruptcy, and finally narrow down the field to those plants whose production was needed by the expanded market. A second alternative would be for governments, either individually or collectively, to do some planning for the future of these industries, as to potential market needs, stand-by needs for security purposes, etc.—and then to scrap some of the government-owned plants and limit the disposal of the remainder accordingly. A third alternative would be to permit the concerns now oper-

ating the plants to plan future production and sales, either with or without government participation or control. Completely free postwar production and markets are a possibility in industries of this type—but a possibility that present owners or operators would be likely to contemplate only with a shudder. Yet planning for such new industries may seriously underestimate the expansibility of the market. Who would have correctly foreseen in 1918 the potential expansion of the automobile market in the Twenties?

### *From Pure Competition*

A quite different situation is presented by industries where good times tend to produce an overexpansion in output several years later, or bad times tend to create an undue contraction. The hog cycle, the housing cycle, and the shipbuilding cycle are all examples of industries where pure competition tends to produce exaggerated and recurrent swings in production above and below the point of price equilibrium, with resulting losses and instability to producers, and with idle capacity and workers much of the time. It is conceivable that some form of planning might be developed for such industries which would lessen the specific industrial fluctuations without harm, or even with benefit to, the rest of the economy.

Then there are the producers of primary commodities, such as sugar, wheat, and cotton, who in times past have found themselves faced with a continuing excess production above what the markets would take at any price, yet where low prices did not reduce output sufficiently to eliminate the oversupply. In the long run, perhaps, enough of the producers might have starved to death or lost their farms to have balanced output with demands, but humans are peculiarly unwilling to cooperate in economic laws which work only by regarding them as pieces of machinery which can be laid aside to rust until there is need for them again. Farm producers of these basic commodities have felt that they were attempting to live by free competitive principles in a society that was everywhere else bound or supported by monopolies or restricted prices, and so have turned to domestic programs of price supports and regulated production and even prices, with international commodity agreements as auxiliaries to the domestic controls. To be fundamentally helpful, these supports to existing production need to be accompanied by efforts to shift surplus capacity or surplus workers into other lines of production where opportunities are greater. While the farmers

of the world hope that the expanding world economy as envisioned at the Hot Springs Food and Agriculture Conference will make such commodity controls unnecessary in the future, they will no doubt insist on maintaining them as defensive measures ready to be used to protect farm standards of living if and when the need should arise again.

A different planning problem confronts the many communities which today are making plans for maintaining employment after the war, under the stimulus of the CED and other agencies. Many of these communities are considering developing new industries. Some may decide to build new cotton mills. Many may decide to start the production of plastics. If the initiation of these enterprises is left solely to the uncoordinated choice of each community, many more new mills may be established in these lines than the country can use. If that happens, a period of excessive production, price-cutting, and bankruptcy would result before a new balance is struck. The alternative is some form of planning—some adding up of what is proposed to be done in each industry, some matching of proposed capacity with potential demand (even at minimum prices), and some assigning or prorating of proposed capacity. Again, by whom or how the job might be done would influence the results of the planning. The absence of planning might increase the number of disappointed towns, bankrupt concerns, and idle plants. Obviously, any effort to plan or control such types of new development would be contrary to our established concept of a free enterprise system. Yet it is also true that when we do face the enormous shift from our expanded war economy to a peace economy, there will be need for an exceptionally large volume of new investment. If too much of this new investment is poorly planned and unwisely made, we may have a resulting waste of potential resources of extraordinary magnitude.

### *Many Situations*

The cases outlined cover only a small portion of the situations that might be presented. The problems of public utilities and concerns under public ownership have not been touched upon at all. Even so, the cases mentioned serve to indicate something of the complexity of the problem of free versus planned markets, and something of the difficulties that may be encountered in trying to apply any single rule to their solution.

Where we do decide that a particular situation does justify or necessitate some

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form of concerted production or market planning, we must then face the issue: who is to do the planning? No matter who does it, the act of planning involves the establishment of an administrative mechanism to collect the necessary facts and reach and administer the necessary decisions. Planned markets are administered markets. The administrative mechanism, or bureaucracy, if we prefer to call it that, may be set up under public auspices or private. If it is set up privately, it is responsible only to the special-interest groups which run it. It can then influence the general welfare of the producers, workers, and consumers affected by its operations, without public accountability for its actions. If it is set up under public auspices, on the contrary, it is responsible to governmental authorities. In this country, for example, that means not only public reporting of its operations, but also being subject to be called before legislative committees or other democratically elected bodies for full and complete explanation and report both of its opera-

tions as a whole, and any detail of them. Publicly controlled planning is planning by a responsible public bureaucracy. Privately controlled planning is planning by an uncontrolled irresponsible bureaucracy. That is the reason why, in those cases where planning—limitation or regulation of competition—appears to be necessary, the modern tendency is to permit such planning only on condition that it be operated or controlled by a public agency responsible to the whole people, and to prohibit planning by one of the interested parties responsible only to its own interest group.

On this one point American opinion and liberal British opinion are in agreement. The Americans I have cited before agree that private groups should not be permitted to engage in market planning without public control. Lord de la Warr says: "We certainly should not be prepared to give such power over our lives to any but a public body." Even the Federation of British Industries recognizes the need of an International Economic Council to supervise their proposed planned "world

trading system," though they are vague as to how far this would be a public agency and how far a private one.

Public control agencies are always in danger of being captured by the private interest groups which they are established to regulate. That possibility is generally recognized, and methods to prevent it happening can be sought. A further complication, however, is not so generally recognized. Democratic governments such as ours have a diverse structure and many lines of influence through which public attitudes and interests may influence official action. Planning by public agencies may thus tend to substitute for the competition of the market a competition between alternative plans of action.

In conclusion, we may say that there may be situations where the free market does not work either toward abundance or toward sustained high production. If planning is to be used to deal with these situations, it must be planning by public agencies truly responsible to the will of all the people.

## Winds of Opinion

WE ARE approaching the end of mechanical development as a sole reliance in efficient manufacturing methods. The individual worker, if he wishes sufficiently to do so, can carry productive efficiency to heights possible in no other way. American industry now must go to that much greater source of progress in those inherent undeveloped capabilities latent in every human being. . . . The important thing for management to know is that crisis and incentive will bring them to the surface and make them usable to the profit of all concerned. This is America's postwar plan.—*J. F. Lincoln, President of the Lincoln Electric Company.*

Many of our young people, certainly all of those under thirty, know of the enterprise system only as a theory. They have been interested for years in new economic theories rather than old economic principles. To those of us who have lived in a free enterprise system we can see it in perspective because of its distance back from where we are. If we look forward we probably can still see it in perspective because of its distance from where we are. It is going to take time and a great deal of effort before the broad idea will gain public understanding and wide public approval.—*John M. Hancock, co-author of the Baruch-Hancock report.*

Freedom is not a condition of life. It is the absence of a condition of life. The moment we think of it as a condition, we recognize—no matter what we may say to the contrary—a super power which can tell us not only what is and what is not freedom, but also just how and why we must like it. . . . We seem to be forgetting that a government cannot grant freedom of religion or of speech or of enterprise. When we speak of granting or receiving freedom, we exactly reverse the processes of thought that moved those great men, the founding fathers, to evolve for themselves and their posterity—that is, for us—the Constitution and the Bill of Rights.—*Dr. Willard H. Dow.*

And finally, we must determine now that any broad deflation of our present price and wage structure will not be permitted. We have placed ceilings over prices and wages to prevent wartime inflation. In the reconversion period, we must protect prices and wages to prevent equally disastrous deflation.—*Chester Bowles, Price Administrator.*

Anything short of the recognition that we cannot go back to this will-of-the-wisp thing called free enterprise, which never has existed since the first regulatory law

was passed by the Continental Congress, will lead us into trouble.—*Mark Ethridge, addressing the Democratic State Convention at Oklahoma City.*

Industry and labor will never develop their leaders by looking to the government for an answer to their problems.—*William H. Davis, Chairman of the War Labor Board.*

Superficial evaluation of the man and the world of today would indicate that there exists a universal craving for liberty. Upon analysis, however, this is seen to be something quite different from the liberty that was intended by those who founded our nation. It has degenerated to the point where, for the individual, it is better interpreted as license.—*Leo T. Crowley.*

Democracy, liberty, free men, and private enterprise which realizes its responsibility to the individual and to the economic welfare of the nation, cannot live in the same environment with highly centralized government, extended bureaucracy and a government-planned economy.—*Dr. Fred I. Kent, chairman of the postwar planning committee of the Commerce and Industry Association of New York.*

## In Europe's Footsteps

*Excerpts from a speech by Malcolm McDermott before the State Bar of North Carolina*

*Mr. McDermott has been Professor of Law at Duke University since 1930. Before that he was Dean of the College of Law of the University of Tennessee. He was visiting lecturer on law at the Universities of Krakow and Warsaw in Poland before the war.*

THE danger is that amid the preoccupation of world problems, with our eyes focused on the international scene, we are going to overlook what is being done to our own country on the inside. Obviously, if America is to play her proper part in world affairs, she must be kept strong and sound within. Those qualities that have made her truly great must be preserved, not only for our benefit, but also for that of the world at large.

It is the peculiar function and duty of lawyers, I submit, to give heed to these vital matters. If our constitutional government is endangered, if the rights of the people are being subverted, if the foundations of the Republic are being undermined, then it is the lawyers of America who must raise the hue and cry. As you know, we are the only professional group who take an oath to support, maintain, and defend the Constitution. We are the only class of citizens not on the public payrolls who take that solemn vow. Furthermore, it is the lawyer who is best qualified for this task. He is a free lance. Schooled in a knowledge of the fundamentals of our governmental system, he can perceive what is going on beneath the surface and what others fail to note. . . .

In the years 1936 and 1937 I spent considerable time in Germany. My chief purpose was to find out, if possible, just what national socialism really means. . . . I wondered how an intelligent people, such as the Germans surely are or were, would let themselves be thus duped. This led to a study of the various steps by which national socialism had fixed its hold upon that nation. I wanted to find out what made national socialism work. I give you briefly the results of that firsthand study.

### The Twelve Steps

In order for national socialism to work certain definite steps must be taken, and they are the same for fascism, for the two differ in name only:

1. The people must be made to feel their utter helplessness and their inability to solve their own problems. While in this state of mind there is held up before them a benign and all-wise leader to whom they must look for the cure of all their ills. This state of mind is most readily developed in a time of economic stress or national disaster.
2. The principle of local self-government must be wiped out, so that this leader or group in control can have all political power readily at hand.
3. The centralized government, while appearing in form to represent the people, must dutifully register the will of the leader or group in control.
4. Constitutional guaranties must be swept aside. This is accomplished in part by ridiculing

them as out-moded and as obstructions to progress.

5. Public faith in the legal profession and respect for the courts must be undermined. . . .

6. The law-making body must be intimidated and from time to time be rebuked, so as to prevent the development of public confidence therein.

7. Economically, the people must be kept ground down by high taxes which under one pretext or another they are called upon to pay. Thus they are brought to a common level, and all income above a meager living is taken from them. In this manner economic independence is kept to a minimum, and the citizen is forced to rely more and more upon the government that controls him. Capital and credit are thus completely within the control of government.

8. A great public debt must be built up so that citizens can never escape its burdens. This makes government the virtual receiver for the entire nation.

9. A general distrust of private business and industry must be kept alive, so that the public may not begin to rely upon their own resources.

10. Governmental bureaus are set up to control practically every phase of the citizen's life. These bureaus issue directives without number, but all under authority of the leader to whom they are immediately responsible. It is a government of men and not of laws.

11. The education of the youth of the nation is taken under control, to the end that all may at an early age be inoculated with a spirit of submission to the system and of reverence for the benevolent leader.

12. To supplement and fortify all of the foregoing there is kept flowing a steady stream of governmental propaganda designed to extol all that bow the knee and to vilify those who dare raise a voice of dissent. . . .

Perhaps, as I have detailed all of this, there has flashed into your minds the deadly parallel between the national socialism of Germany and what has transpired here in the United States during the past decade. I confess it struck me with full force when I returned from Europe just at the time when the fight was launched to make the Supreme Court of the United States subservient to the will of the Chief Executive. This led me to make a comparison of details, a practice I have since continued. It has driven me to the conclusion that there is a deliberate purpose to supplant our constitutional government with the German brand of national socialism. If you will study the situation carefully, you will find that no other explanation can make sense out of the conduct of our National Government by those who have enjoyed practically complete control throughout the past ten years.

### Motives Not the Question

I am not impugning the motives of any man or set of men. Motives are not the issue. These gentlemen may have the highest motives. . . .

But that is beside the point. What we want to know is what these men are doing to America.

We can best determine this through testing what has developed here by reference to the essential elements of national socialism already set forth.

In the first place, you will recall that at the outset of this decade our country was experiencing an economic depression. It was by no means the first, nor yet by comparison the worst. Heretofore, the country shouldered its burdens and its losses and pulled through. This time it was asserted that the people were unable to handle their own problems and hence all must look to Washington for the answers. That was to be the source of all recovery, handed down from above. . . .

In the next place, we find that the right of local self-government, one of the cardinal principles of American democracy, is being steadily destroyed. This has been accomplished in part by a spurious interpretation of the constitutional provision giving Congress the power to regulate interstate commerce. Thus it has come to pass that the central government has assumed power, for example, to regulate the amount of wheat a farmer may grow, even though it is fed to his own chickens and never touches interstate commerce. This power has been upheld by the reconstituted Supreme Court upon the ground that if the farmer did not raise wheat he might buy wheat in interstate commerce and thus interstate commerce might be benefited, while if he did grow wheat he might not buy wheat in interstate commerce and thus interstate commerce might be depressed. Therefore, this is said to be a regulation of interstate commerce. Such is the astounding holding in the Wickard case. By its reasoning practically every activity of human life can now be regulated in Washington.

Again, we have seen not only the judiciary, but also the legislative branch of the National Government fall into line under the executive. For years legislation was drafted for Congress under executive direction and marked "must." Blanket appropriations were made in huge sums, the spending of which was left to executive discretion. Broad powers were granted to the President on the basis of an existing emergency, but somehow the emergency never ceased, and the powers continued. . . .

### Lastly, the Constitution

One of the most striking similarities between the present Administration and a national socialist government is its attitude toward the Constitution. There was a time in this country when the Constitution was reverently regarded as the sacred instrument protecting the people in their rights and liberties even as against their own government. . . . A study of the attitude of our present government toward this great document discloses not only a spirit of disdain but even of flagrant disregard. Thus Congress was bluntly told to pass the Guffey Coal Act regardless of its constitutionality. The very principles on which the Constitution was drafted and adopted have been held up to ridicule and relegated to the days of horse and chaise. . . .

Lastly, let me call your attention to the subject of government control over public education. . . . Thus far the Washington Government has refrained from open efforts in this di-

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rection, but now the step is about to be taken. A bill has been introduced with support from Administration circles providing for an allotment to the States of \$300,000,000 a year to be spent on public education. . . . Here is the nation staggering under a public debt which will soon reach the \$300,000,000,000 mark. Just the interest alone on that debt is going to cost the American people about \$9,000,000,000 annually and that is a sum far in excess of the largest amount collected in federal taxes during any year prior to our entry in the present war. On top of this enormous interest charge will be the enhanced cost of government resulting from the war. And yet, in the face of all that, the proposal is blandly made to hand over to the states \$300,000,000 annually for public education. There is not a state in the Union that does not already have a creditable public school system. There is not a state that is unable to support its system. Nevertheless, there is the Federal Government submerged in debt, constantly seeking new fields of taxation, and regularly appealing to its citizens to lend money on its bonds, now proposing to pile on another \$300,000,000 annual charge by way of gift to the states.

### One Explanation

Only one sane explanation can be offered, and that is that it constitutes a move to enable the Washington Government to get its hand on public education throughout the country. On the average each state will receive annually something over \$6,000,000 from this fund. As soon as states have their public-school systems geared up to these additional expenditures it will be simple indeed for Washington to begin to dictate policies in education. No local officials will dare refuse to cooperate and thus forfeit the supposed benefaction. What this may lead to is a matter of speculation, but it does present the perfect pattern for national socialism in public education.

From all of the evidence the conclusion seems inescapable that the real issue on the domestic front is whether national socialism shall supplant American democracy—American democracy as we have known and grown up under it, as our forefathers established and maintained it for us. In all honesty there ought not to be any disguising of this issue. It ought to be brought directly into the open where it can be considered

and discussed with all of the attention it deserves. . . .

The guise in which the movement is being clothed in this country would be ludicrous, were it not for the tragedy of the thing. The entire process of putting the citizen in a governmental strait jacket is constantly being called liberalism.

### Freedom in Prison

A liberal government, properly defined, is one which leaves its citizens alone to develop their own capacities and resources, to learn by their own mistakes, and to control their own earnings. Such a government interferes only to a minimum degree necessary to insure proper protection of the rights of others. It was that kind of government our forefathers sought to establish in American democracy. They know that the sweetest freedom known to man is the freedom to come and go as one pleases; to work when, where, and for whom he pleases; to make mistakes, it may be, and thus learn to stand on his own.

That freedom of individual action, you may have noted, is nowhere mentioned in the Atlantic Charter. The four freedoms there set forth are readily obtainable in any government prison. By getting yourself committed to the penitentiary, you can enjoy freedom of speech and of worship, for there will be no one interested in interfering. You will enjoy freedom from fear, for you will be amply guarded and protected by governmental agents. You will enjoy freedom from want, for government will supply you not only with shelter, but also with all necessary food and clothing. As for the clothing, the stripes thereon may run the wrong way—that is, horizontally rather than vertically—but that should matter little to one who is interested merely in obtaining freedom from want.

The hitch is that in getting these four freedoms, you will have sacrificed the most precious freedom of them all, and that is just plain ordinary personal freedom. . . .

It may be that the American people want the change, but by all the traditions of our profession, by our solemn oath to support the Constitution, you and I as lawyers are bound to see to it that the issue is fairly and squarely presented to the great body of citizenship. It is high time we began to discharge that obligation.

now, when we are considering plans for the post-war period—and we must be considering them; that is the reason for the existence of the office held by the noble lord, Lord Woolton—is that any combinations or trusts which by their nature are restrictive must be against the public interest. The government, I understand, is committed to an expansionist policy, and the very object of the modern cartel is to restrict production and to limit it to the supposed capacity of the market. An expansionist policy, whatever may be the desire of the cabinet and of Lord Woolton, will not be possible if these cartels, which are now so extensive, are allowed free play nationally and internationally. Without an expansionist policy—and here I know that I have Lord Woolton with me—the Prime Minister's declared program of work, food, and homes for all will not be possible.

I do not expect to convert any of your Lordships who have not already come to the same conclusion from an independent study of this great subject, but I will fortify myself by quotations . . . I will begin with my right honorable friend, the Home Secretary, Mr. Herbert Morrison, a colleague of Lord Woolton in the War Cabinet . . . Speaking at Leeds on April 3 last, Mr. Morrison said:

"Let us face the fact that such monopolies are restrictive in their very essence. That is the reason for their existence. You will never alter their nature by patching and tinkering with them. Their whole setup and relation to the community must be profoundly altered. I am convinced that the only answer consistent with national well-being is full and effective public control."

Again I quote Mr. Herbert Morrison, and this is from the *Daily Mail* of June 20—an unimpeachable source:

"Before the war our industrial system was in many of its key areas, both in production and in distribution, not genuinely a system of private enterprise at all, but a system of private semimonopoly governed by restrictive agreements and arrangements which were the absolute negation of enterprise. The result was that our country was falling into a decline. Its productive power was dropping back by comparison with other countries, particularly America. In plain English, it was not earning as good a living as it could have done."

I could quote a great deal more—all on the same lines, obviously showing that Mr. Herbert Morrison, Home Secretary, member of the War Cabinet, and a very respected member of my own party, is unhappy about this state of affairs and hopes there will be legislation. I imagine his views are shared by my noble friend Lord Woolton.

THE MINISTER OF RECONSTRUCTION (LORD WOOLTON). Imagination.

LORD STRABOLGI. I beg your pardon.

LORD WOOLTON. I was merely congratulating you on your imagination.

LORD STRABOLGI. Why? Because I venture to suggest that Lord Woolton's and Mr. Morrison's minds might be working on the same lines? Surely there is nothing extravagant or imaginary about that. . . .

I must now refer to what I consider is the gravest aspect of this whole problem, and that is the international aspect. Your lordships, I am sure, know now that the international cartel

## British Ideas of the Cartel System

*From Hansard—the Official Report of Proceedings in the British Parliament*

Lord Strabolgi rose to ask His Majesty's Government whether they will state their policy with regard to trusts, cartels, and combines, national and international, in postwar reconstruction; and to move for papers.

LORD STRABOLGI. My Lords, I beg leave to move the motion standing in my name . . . It will be common knowledge that between the two wars, and indeed during this war, monopolies and cartels, both national and international, have greatly increased. When various measures of government control are introduced during a war, as they have to be in a modern war, it is

inevitable that the result is to stimulate combines and associations. The government departments do not want to deal with individual manufacturers and traders, and, if there is not a manufacturing or trade combine in existence, they tell the people concerned to get together and form a trade or manufacturing association so that they can be dealt with as a corporate whole. That is quite natural and not objectionable in itself, but it has the result of stimulating and assisting the formation of combines, associations, trusts, and eventually monopolies. . . .

Why the matter is so urgent and important



system helped Germany very much indeed in her military preparations before the present war. The German cartels induced their partners in Britain, America, and other countries, but particularly in Britain and America, to rationalize and restrict production, and in exchange, of course, their partners were given a monopoly in certain markets. The German cartels secured closed markets in their own areas. Then, under the Nazi system, when they became in effect part of the Nazi totalitarian government, they built up their own war potential. Profits did not matter to them; the German Government saw to that. They were able, under this cartel scheme in their closed markets, to build up an enormous war potential, the results of which we saw soon enough. They obtained manufacturing secrets and formulas from their copartners in Britain, America, Italy, Japan, and other countries. There was, of course, some reciprocity, but that did not matter, because the cartels in Britain and America were not part of a government plot to prepare for war . . . .

Now what has happened since the war? The greater part of Europe has been overrun, or dominated as in the case of Spain, by Germany, and behind the German Army have come the German industrialists and monopoly financiers, the men who built up and controlled these trusts and cartels. In France, Czechoslovakia, and the Low Countries particularly, and in other countries as well, they have got control of the great key industries, the great heavy industries, the manufacture of electrical equipment, iron and steel, coal mining, and so on. There they are, in virtual control of all Europe's industry.

In German-occupied Europe and in countries like Switzerland, Spain, and Sweden, which until recently have not dared to refuse anything on the economic plane, they have got a complete network of industrial, manufacturing, and trading control. They have their "hide-outs," if I may use that word—their financial hiding places—in Spain, in Switzerland, possibly in Sweden (I do not know about Sweden), and probably in the Argentine and Bolivia.

However the war ends, and probably while the governments of the United Nations are busy rounding up war criminals and disarming Germany, the leaders of German monopoly-finance will try to reestablish contacts with their old friends in Britain and the United States of America. They will have an economic and financial empire of great potential value to offer. There may be political difficulties in unscrambling the omelet of the German-dominated cartels in France and other countries. It will depend a great deal on the nature of the governments in those countries. I understand that, in France particularly, the German control of French industry has been most cleverly concealed—nominee shareholders, Quislings, and so on, hiding the real power behind the majority shareholders—and they will have a great prize in this almost complete European monopoly of great basic industries. This is not fanciful. I do not say for a moment that they will get a response in this country; I cannot answer for the United States. I do not suggest that for a moment, but that is the danger, and we cannot rely on its not meeting with a response, even an innocent response . . . .

LORD WOOLTON. We are already engaged in the process of preparing our views on the question as to how we are going to obtain full employment in this country, and when we came to that subject then we found ourselves faced with the problems that the noble Lord has raised this afternoon. In due course His Majesty's Government will lay before the House a Paper embodying those views.

VISCOUNT MAUGHAM. My Lords, I hope your Lordships will forgive me saying something, not from a government point of view in the least, in reference to the very important topic which is before the House. I have long been interested in this matter of combines and cartels, and I have done what few members of this House can have done, studied the Sherman Act and endeavored to understand the vast difficulties of the problem with which the United States Government have found themselves confronted after the passing of that act. I am acquainted with some portion of the very many actions that have been brought in the United States to enforce the act and am aware of the fact that the great majority of them have failed. No more difficult problem could be before any legislature than that of attempting to deal with this question. It is a very important one, and the difficulties at the root of it can be appreciated by anyone.

The noble Lord who opened this debate declared himself in favor of the view that every combine to limit production was wrong. I wholly disagree with that proposition. It seems to me perfectly and demonstrably a mistake. The noble Lord forgets for the moment the terrible effects of unrestricted effort by people to compete against each other.

Unrestricted competition is a terrible thing in an industry. I am only going to say a very few words, but I cannot help mentioning one industry with which I was at one time very well acquainted, that of rubber. There was unrestricted competition at one time in the matter of rubber. The trees take seven years to grow and be in a condition to be tapped. When they are ready to be tapped everyone wants to get rid of his rubber. It cost at that time about one shilling sixpence a pound to produce.

Of course that has greatly diminished now. Yet by unrestricted competition the price went down, I think, to two pence a pound. That was a wholly unremunerative result. It threw a great number of growers, especially the smaller growers, into a state of bankruptcy, and plantations were sold for a song. Nobody, I think, can reasonably suppose that it would be unfair in a case like that, or that it was unfair in that case, to make some sort of bargain between the various growers in the different countries concerned so as to prevent ruin to the industry as a whole.

That is only a single instance. There are instances that could be given of other products all over the world. Take the question of coffee in Brazil. Coffee grows so easily in Brazil that Brazilians have found it perfectly impossible to sell their coffee in a large measure, and in order to prevent it being sold at half or one-third the cost of production the government have stepped in and thrown the coffee into the sea. I believe that was going on a year ago. I do not know if it is still going on. You want some limitation there.

You may say that the government should in-

tervene, but the noble Lord has enough experience of governments to know that if you wait for the government to intervene probably all engaged in the industry will be ruined. This problem sounds so easy to state, but it is difficult to deal with. Every combination which has for its object to enable goods to be sold at a reasonable price to the public, including a reasonable and not an unreasonable profit, is perfectly fair. Every combination which is directed to raise the price to an extravagant amount, so that the public do not get properly served in connection with that particular article, is wrong. I challenge the noble Lord to produce a bill which will carry out those two objects. The United States have done their best, but, if I may say so without any offense to that country, they have not been particularly successful in their efforts.

### Facing the Postwar Cartel

All evidence indicates that cartels in the post-war period will operate in foreign countries more widely than ever, and American businessmen must face the issue squarely and realistically. . . . The United States is practically the only country where combinations between business enterprises are considered contrary to law. This makes it obligatory for this country to re-examine its position, even if America's present attitude may prove to be right. If one powerful country insists upon a program out of line with that adopted by other nations, a disturbing element may be injected at a time when leaders everywhere will wish to make an honest attempt to establish economic collaboration.—*From The Index, the New York Trust Company's quarterly.*

### The Uncreative State

It is not to the State that we owe the multitudinous useful inventions from the spade to the telephone; it was not the State which made possible extended navigation by a developed astronomy; it was not the State which made the discoveries in physics, chemistry, and the rest, which guide modern manufactures; it was not the State which devised the machinery for producing fabrics of every kind, for transferring men and things from place to place, and for ministering in a thousand ways to our comforts. The world-wide transactions conducted in merchants' offices, the rush of traffic filling our streets, the retail distributing system which brings everything within easy reach and delivers the necessities of life daily at our doors, are not of governmental origin. All these are results of the spontaneous activities of citizens, separate or grouped. Nay, to these spontaneous activities governments owe the very means of performing their duties. Divest the political machinery of all those aids which Science and Art have yielded it—leave it with those only which State-officials have invented; and its functions would cease. The very language in which its laws are registered, and the orders of its agents daily given, is an instrument not in the remotest degree due to the legislator; but is one which has unawares grown up during men's intercourse while pursuing their personal satisfactions.—"Man versus the State," *Herbert Spencer.*