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Principal Contents

Review and Comment.....	<i>Editor</i>	1
Winds of Opinion.....		6
Inflation as a Political Must.....	<i>Virgil Jordan</i>	8
A World Trade Charter Anyhow.....	<i>Garet Garrett</i>	13
"To Govern Without Law".....	<i>Mr. Justice Jackson</i>	19
"To Secure These Rights".....	<i>A Report to the President</i>	22
Let Government Set the Table.....	<i>Washington Correspondence</i>	28
Equal Distribution of Poverty.....	<i>M. J. Bonn</i>	33
Social Gains in Great Britain.....	<i>Official</i>	38
British Witness.....	<i>Sir William Y. Darling</i>	40
The Broken Mainspring.....	<i>Winston Churchill</i>	45
Reading.....		47
<i>What of the Night?</i>		
<i>Selling Freedom</i>		
<i>Chaos in Europe 100 Years Ago</i>		
<i>100th Anniversary of the Manifesto</i>		
Dollars Cannot Save Us.....	<i>Senator Brooks</i>	58
Why Not Try Freedom?.....	<i>Senator Byrd</i>	60
Notes on a Trip to Europe.....	<i>Ernest T. Weir</i>	62

SUPPLEMENT

—Nor Can Government

Commentary on S. 984

BY DONALD R. RICHBERG

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Notes on the Contents

Inflation as a Political Must. Dr. Virgil Jordan is President of the National Industrial Conference Board. A grim view of a grim subject.

A World Trade Charter Anyhow. This is the third article by the Editor on the State Department's resolve to create an International Trade Organization, the principles of which now are written into the General Agreement on Tariffs and Trade that was signed at Geneva in November, to take effect by proclamation of the President.

"To Govern Without Laws." This is a bitter dissenting opinion by Mr. Justice Jackson; it is followed by two other articles, *"To Secure These Rights"* and *"Let Government Set the Table,"* all three of which may be regarded as studies in the course of government.

Equal Distribution of Poverty. Dr. M. J. Bonn is well known both in this country and Europe as a distinguished elder among the economists. He is writing now in England. After World War I, he was economic adviser to the German Government and later taught in the London School of Economics. His last article in *American Affairs* was entitled "The Dreary Revolution."

British Witness. Sir William Y. Darling of Edinburgh is a Member of Parliament who has a way of speaking his mind that makes both the British Socialists and his own Conservative Party colleagues uncomfortable. He tells what it is like to travel the road of socialism.

Selling Freedom. This is an article on the difference between liberty and freedom, with a look at Freedom Train.

Dollars Cannot Save Us. This speech by Senator Brooks of Illinois was one of the notable contributions to the debate on aid to Europe during the special session of Congress.

Notes on a Trip to Europe. Ernest T. Weir, Chairman of the National Steel Corporation, is a hard-headed industrialist who went to Europe to compare what he had been reading with what he could find out for himself. His conclusions are severe.

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

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American Affairs

GARET GARRETT, *Editor*

JANUARY, 1948

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Review and Comment

By the Editor

THE words *American capitalism* evoke an image that now is extensively unbeloved in a wretched and envious world. It is a name we have. Is it a fact or is it a myth? That is to ask, *are* we a capitalist people? The answer is not in what we think or say, nor in what the world thinks; what we do is evidence. Imagine a nation in every way like this one, including the sentiment, except only that its economic philosophy is definite and uncompromising. It *is* a capitalist nation, and everybody expects it to behave in that character. How would it now behave? What would it be saying to Europe? It would be saying to Europe: "You need these three things and these only—food to eat while you are hungry, a supply of raw materials on which to act with your labor, and some new machines to improve your industrial equipment. As for food, we have a surplus and you are welcome to it. We have shared our food with the world before and we know how. We will not only send it; we will distribute it by the hand of the Red Cross or maybe through our Quakers, who, as you have reason to know, do a very good job of it. If you are humiliated to dip your spoon into the American bowl, we are sorry but that cannot be helped. As for raw materials, you may obtain these by resort to the familiar device of commercial loans, the use of which you know as well as we do. For new machines you need capital loans. We have a surplus of capital and you are welcome to borrow it. Our people will provide it and our bankers will lend it to you on terms that are customary. That is to say, we give you free access to the American money market both for commercial loans and for new capital, and we do this in consideration of your very evident need, notwithstanding the fact that only a few years ago we passed a law closing the American money market to any European government that was in default on its debts to the United States Treasury. Those repudiated debts are now forgotten and we say no more about them." That would be all. It would not be necessary to say that among borrowers we should

prefer free enterprise nations over those pursuing a socialist policy. That problem would take care of itself. The British steel people, for example, wanting an American loan, might be told that the rate of interest would be 15 per cent. If they said, "But that is prohibitive," the American bankers would say: "The risk is high. After you have got your dollars the British Government may nationalize your industry and offer to pay us back our money with blocked sterling." If to this the British steel people answered, "But we hear you are going to lend capital to the Belgian steel people at 4 per cent," the American bankers would say: "That is true. It is a better risk. We think American dollars will be safer in Belgium." And if the British steel people said, "But this means that the British steel industry will be transferred to Belgium," the American bankers would need only to say: "That is something for the English people to think about." Only twenty-five years ago that would have been the natural behavior of a capitalist people, perfectly understood and giving no political offense whatever. The British especially would have understood it, because they handled their own capital that way. And after all, what more could the world expect from a capitalist nation than food without price and access to its money market for loans? We shall not behave like that. Seriously to suggest it is to give offense. Therefore, this paragraph would be entirely fanciful but for the purpose, which was to stalk the answer to the question proposed: *Are* we a capitalist people? If you do not see the answer, then perhaps it got away; or, it may be that you are looking at it and do not see it, because it is endowed with so much protective coloring.



IF we speak not of communism or socialism but of capitalism and anti-capitalism there may come some clarity in our thinking. The fact that the political intentions of the principal countries of Europe, beginning with Great Britain, are definitely anti-capitalist has been systematically obscured. Where it cannot be denied there is a technique of writing it away. The Committee on European Eco-

conomic Cooperation, speaking for the sixteen Marshall Plan nations, says:

"The various countries handle their economic affairs by diverse means; some work to a long-term plan and others follow relatively unrestricted private enterprise. The means of carrying out this program will therefore vary from country to country."

The suggestion here is that the difference between a planned economy and a relatively free economy is, after all, very slight, and a great capitalist nation like the United States can afford to treat them all alike. The Harriman Committee, reporting to the President on the Marshall Plan, says:

"Aid from this country should not be conditioned on the methods used to reach these goals, so long as they are consistent with basic democratic principles. While this Committee firmly believes that the American system of free enterprise is the best method of obtaining high productivity, it does not believe that any foreign aid program should be used as a means of requiring other countries to adopt it. The imposition of any such conditions would constitute an unwarranted interference with the internal affairs of friendly nations."

If we believe that the way of free, competitive enterprise is the best and quickest way to bring about the recovery of the world, why shouldn't we insist upon it, not because it is our own money but for the good of Europe itself? If we believe socialism is the wrong way, why should we finance it merely because it has been adopted by a democratic process? What does *democratic process* mean? Hitler could say the German people elected him. Russia says she has the only true democracy in the world. Addressing himself to the suggestion that one condition of further aid to Europe should be that the socialization of European industry stop where it is, the British Ambassador says the socialism of Great Britain is neither Marxian nor revolutionary. It is democratic—all brought about within the character of British democracy. Concerning that same Britain's socialism, which is neither Marxian nor revolutionary, C. L. Sulzberger writes this illuminating bit in *The New York Times*.

"The long-range foreign policy of the present British government seeks not only to foster the restoration of world peace and economic stability in cooperation with the United States but eventually, by the establishment of a firmly based Socialist system here, to make of Great Britain a bridge between capitalist United States and the Soviet group, which might tend to facilitate global understanding."

That is undoubtedly a true statement of the British idea. But what a world! A socialist bridge between capitalist America and anti-capitalist Russia. As

National Chairman of the Committee for the Marshall Plan, Henry L. Stimson says in page newspaper advertisements:

"We must remember that freedom demands tolerance and that many Americans have much to learn about the variety of forms which free enterprise may take."

Among the economists, the planners who call themselves liberal all alike take the line laid down by James W. Angel of Columbia, who writes for *The New York Times*:

"We commonly identify 'democratic' with 'American.' We also commonly identify the term 'democratic' with that which relates to a set of *political* ideas and principles with our own particular forms of *economic* organization. That is we identify it with our own special brand of private capitalism. . . . In any definition, the principles of democracy must include the right of the people freely to select and operate their own forms of internal and economic and political organizations."

Addressing the Pilgrims in London, Secretary Marshall said the difference between the socialist economy of Great Britain and the capitalist economy of the United States was nothing serious. It is a curious fact that Americans are much more dim about that difference than the British themselves. In October, *B.I.S. Notes*, published in this country by the British Information Service, said gently that the difference between Socialists and Conservatives in Great Britain was one of means only, not of ends. To a parliamentary inquiry in the House of Commons a few days later, the Socialist Government promised to publish an "unequivocal correction." Accordingly, in the November 28th issue the following correction appeared:

"*B.I.S. Notes* apologizes, and unreservedly withdraws the statement that great differences of principle as well as of practice do not still exist between Conservatives and Socialists in Britain today."

Neither the Socialist Government of Great Britain nor the Conservative Party wanted it to be said that there was no great difference in principle between them. It appears to be only Americans who want to say that.



SO what is it we believe? Is the difference between a free economy governed by the free competition of free individuals and a planned economy imposed and conducted by dictate of government a difference of means only? If that is what we believe,

when did we cease to believe that the planned economy leads to the regimentation of life and from that to some totalitarian form of government in which the liberties of the individual are swallowed up? If we believe that the free economy is the right way toward higher material welfare, with the maximum of human liberty, or, less than that, if we believe only the evidence of Europe's recent history, with welfare and liberty both sinking, then logically it follows that as the American Government gives aid to the anti-capitalist and planned economies of Europe it stultifies America's faith in its own system and at the same time does a positive disservice to the people of Europe. How ironical that the American dollar should assist further to regiment the life of Europe. And the last thing is that as we do this to the people of Europe we are in danger of doing it also to ourselves.



GRANTING that the Americans may reasonably ask to have something to say about what European governments do with the cash proceeds of American aid, *The Times* of London says:

"The average American has never been able to understand why foreign governments should profit from the sale of American relief supplies to their citizens."

The average American did not know it. There was never any secret about it, of course, and every economist knew it; but the average American, who only pays for it, would not by himself arrive at the idea that American relief to Europe was a source of revenue to European governments. If he had thought about it he would have realized that when the American Government delivers aid and relief to Europe it cannot distribute tractors to individual farmers in Great Britain, bags of fertilizer to the individual peasant of France, coal to the coal bins and food parcels to the housewives of London, Paris and Rome. The British, French and Italian governments must do that. Even then he might be so naive as to suppose that the British, French and Italian governments would just hand the things around, with perhaps something to indicate that here was the American aid. But instead of doing that, they sell it to their people and keep the money. What they do with the money—the cash proceeds of American relief—hitherto has been nobody's business but their own. There you have the meaning of the new requirement that hereafter as they sell American relief supplies to their people they shall impound the money in separate accounts and use it for purposes as to which the American Government may be informed if not consulted. In Vienna, the

United States Military Government has put up posters showing a child with a bowl and spoon, and the following caption:

"Sixty per cent of your ration is a gift from the American Aid for Austria. The money you spend for it stays in the country. The Austrian Government uses it for helping the needy."

This was done to counteract the effect of Communist posters telling the people that American food was sold at American prices for American profit. In Italy, at the request of the Americans, the National Association of Gas Industries has promised to print on the consumer's bill the statement:

"The gas which you are using is produced from coal donated by the United States to Italy. The coal is sold and the proceeds are expended for Italian relief."

But even though the people are made aware of where the relief comes from, the fact remains that when the American Government delivers aid to the European governments the result for them is a windfall of revenue, since what they receive free from the American Government they sell to their own people for money. By the terms of the Interim Aid Bill they will be expected to account for it. That is, they will be asked to show what they do with it in further works of relief and welfare. The effect, nevertheless, is to release funds of their own for other purposes. The Marshall Plan, when that is written, will probably require them to impound some part of the money for the purchase of commodities required by the United States.



WHAT would a restored Europe be like? Would it be a Europe that *was* in a world that no longer *is*? These questions have hardly yet been asked. The Harriman Committee says that if all the estimates submitted in Paris by the sixteen Marshall Plan nations were to go through as planned the Europeans "would not be eating as well in 1951 as they had in 1938." Even so, and by the same estimates, Europe's account with the world in 1951 would still show a large deficit. What will have to be faced is the fact that her world status has fundamentally changed. During three hundred years after the Great Discoveries she regarded the world as a European possession. She might fight over the division of it, but it never occurred to her to doubt her right to do with it what she would. Her first impulse was to plunder it; her second was to colonize and govern it. Then came the Industrial Revolution and during the next one hundred years the program was to exploit its human and material resources in a new and wonderful pattern of trade.

This trade consisted principally in the exchange of manufactured goods for cheap food and raw materials on terms so profitable that in a little while Europe was the world's one great source of capital; and from the investment of this capital all over the world she came to have what is called an "invisible balance of trade" represented by interest on her loans. In that century Europe's principal exports, therefore, were manufactured goods, capital and the law and order required by highly organized international trade. The means and tools for this role were mainly three. First, docile people in distant lands to produce the food and raw materials on a low standard of living; second, a small military caste to command tame native armies; and third, navies to guard the life lines by sea. These means and tools are all broken. There are no more docile people willing to produce the food and raw materials and accept for themselves a low standard of living. A few European soldiers can no longer control native armies. Navies are no longer the invincible proud weapon they once were. All of this change, you may say, was evolutionary. But now two disastrous things happen. In the last World War, Europe lost her foreign investments and therefore her invisible balance of trade. That is what the London Chamber of Commerce meant when it said prophetically, in 1942: "It is evident that after the war this country will be no longer entitled to that large tribute of foodstuffs which, in the past, has come each year by way of interest on loans." But more than that was the apparitional rise here in the United States of an industrial power greater than all of Europe's combined. How to accommodate her world status to this one amazing fact now is Europe's crucial problem. By contrast, the problem of postwar recovery is relatively simple. For suppose that in a few years, with plenty of American aid, her own industrial power is restored to what it was before the war. What will she do with it? Where can she sell her goods in competition with this American power? She will have to sell more than ever before, because, firstly, having lost what the London Chamber of Commerce calls her "tribute" from foreign loans, she will be obliged now to pay for her food and raw materials out of current production; and because, secondly, the cost of food and raw materials in terms of manufactured goods is higher than ever before and perhaps permanently so. She will be handicapped not only by the American superiority in machine equipment but by the superiority of the Americans as machine people. In the story of industrial civilization there is no stranger paradox than this—that the British, who produced the machine and led the industrial revolution, were never in fact a machine people. The British worker's resistance to the machine was bitter from the beginning and continues to this day. *Handmade* has always been in

England the benchmark of superior quality. But Americans were from the beginning a machine-minded people. There was in their hands a natural aptitude for the power tool and in their heads an understanding of its economic meaning, which is still foreign to the thinking of Europe. We are the only truly and instinctive machine people. That is why we possess roughly one half of the productive power of the whole world. So how shall Europe compete? Few have even glanced at this question. The London Chamber of Commerce says:

"Even if the United Kingdom were able to close the gap between the value of its imports and its exports this major problem of dollar scarcity would not be solved. So long as the United States maintained its large favorable balance with the world the other nations could not provide us with the dollars we would need even though we sent excess exports to them."

To this it adds the following significant thought:

"The Chamber has for the last fifteen years expressed the opinion that the old system of international free trade in money was unworkable under the totally changed conditions of the twentieth century. It was equally adverse to the system of bilateral clearings which were represented, during the war period, to be the only alternative to free international convertibility of currencies. The Chamber is convinced that a far better system than either, under modern conditions, would be a system of the multilateral contra account between the nations."

By a system of contra account between the nations it means that when a country, specifically the United States, exports goods, it shall not demand payment for them in money; it shall have merely a credit payable in other people's goods, and if other people cannot pay in goods, then they cannot pay at all. So far as Americans have considered the problem of what Europe shall do with her industrial power, when and if it is restored, their answer is to say that it will be necessary for the United States to provide a market for her goods. Writing in the *Foreign Policy Bulletin*, Harold H. Hutcheson says:

"But once goods are available for export, western Europe will require access to the enormous American market if viable economy is to develop. For this reason the tariff concessions made by the American delegation in Geneva are directly related to the European Recovery Program."

That evidently is the position also of the State Department. Defending the tariff reductions made at Geneva, the Under Secretary of State, Mr. Lovett, says:

"The plainest fact of economic life today is that, in addition to the necessity for sending goods for recon-

struction, the greatest assistance which we can render to world economic recovery is the opening of our markets to an increased import trade, so that once recovery of production begins abroad it will not be stopped by lack of markets."

Simply, that having shared our wealth with Europe to enable her to restore her industrial power, then in order that she may be able to use it we shall have to share also the American market.



BY enough bitter experience a more or less stupid world has learned that to make sense of Russian behavior you have to regard it obliquely. If you look straight at it you are almost certain to be wrong. It follows that Moscow's real attitude toward the Marshall Plan is a proper and timely matter for speculation. Both here and in Europe the Communist Party line is against it, with a great gnashing of teeth. On the other hand, the Kremlin brain has never been simple, nor is there any reason to suppose that in this case for the first time it has not been thinking ahead. It must have known what Vishinsky's outrageous warmonger speech did to create sentiment in this country for the Marshall Plan. If that had been an error in tactics it could have been written off; but instead, Vishinsky went on with it, under instructions certainly. Then came the open restoration of the Communist International under the name of the *Cominform* in Belgrade, with a violent manifesto against the Marshall Plan. To know what effect this had on American sentiment it was not necessary for the Kremlin to take it from the American capitalist press; it might have taken it from *The Times* of London, which devoted its principal foreign news spread to the report of its Washington correspondent, who said: "The establishment of the *Cominform*, by intensifying anti-Russian sentiment in the United States is facilitating the Administration's task of securing popular support for the Marshall Plan." And then, referring to a speech by Mr. Harriman, he wrote:

"This speech, the first from a Cabinet Minister since the 'Cominform' was announced, suggests that, whatever the effect of the manifesto in Europe, its effect in the United States will be to simplify the Administration's problems in selling the program of aid to Europe. Until now the Administration has been handicapped by the Secretary of State's refusal to allow anti-Soviet sentiment in the country to be used officially to help his plan. His attempt to bring eastern Europe into the plan was a genuine one and he retained the hope, even after Mr. Molotov had left Paris, that the Russians could later be persuaded to join. Though that hope

died, he did not want the plan accepted here for negative reasons, but Mr. Harriman's speech today probably means that Mr. Marshall is now prepared to use every appeal."

If the Kremlin had really wanted to hurt the Marshall Plan, that would have been mistake number two. There was no deadline in time for bringing forth the *Cominform*; it might have been postponed. Next came the horrendous speech by Molotov in which he claimed that Russia now had the atomic bomb. Again *The Times* of London gave its first foreign news column to its Washington correspondent who wrote:

"The effect of the Molotov speech yesterday will be—like most Soviet actions recently—to help the progress through Congress of the European Recovery Program. . . . The Administration, which would like to emphasize the positive side of the program—the rebuilding of Europe—is finding too many allies in Congress who prefer to talk of stopping Russia."

You have to suppose either that the Kremlin mentality this time was stupid and did not know what it was doing or that its oblique intention was to promote the Marshall Plan in the only possible way it could promote it, and that was by antagonizing or trying to terrify the American mind. If you hold the second premise, the question of motive comes up. Why should Moscow, pretending otherwise, want the Marshall Plan? Here one question may help to answer another. Why should it not want it? In the first place, American billions poured into Europe cannot be controlled by political dikes; they will flow in all directions. Russia and her satellites are bound to be benefited somewhat. In the second place, these American billions will create new assets in Europe. There is perhaps no Russian military strategist who would not say it would be easier for Russia to capture those assets in the course of time than for the Americans to defend them. The rest of the argument would belong to the Kremlin's economic strategists. If they believe, as they do, that a debacle of the capitalist system in the United States would deliver the world to socialism, and, secondly, that this prodigious aid to Europe will weaken the American economic structure and hasten that debacle, then, of course, they would be for the Marshall Plan. Against all of this they would have to weigh only the immediate impact of American aid upon the political alignments of Europe. This they might hope to offset by malicious propaganda against American imperialism, to which socialist-minded Europe may be quick to respond; and moreover, the Kremlin is probably much more cynical than Americans about what American dollars can really buy in Europe.

Winds of Opinion

We are making the Russians suspicious of us.—
Senator Glen Taylor of Idaho.

Sir Stafford Cripps, Minister for Economic Affairs, speaking at the Directors' and Managers' conference at Buxton, said there was not a person in Britain who did not know in his heart that if we wanted we could increase production quickly to get all we needed to export and to supply our own people, given the raw materials.—*The Times, London.*

If the past is repeated and a bust comes, there will be serious readjustments to be made during a period of bad times which even bankers cannot escape. If, on the other hand, no bust comes, then there are other serious readjustments still to be made which even bankers will be unable to avoid. One of the worst of these will be the wiping out of much of that potential purchasing power which many of us have built up in preparation for retirement. Besides, it cannot be overlooked that there will be some millions of people, middle-aged and over, as well as more millions on fixed incomes, who will be subjected to a good deal of hardship. Hence, we shall be partly damned if we have a bust and partly damned if we don't.—*Dr. William A. Irwin, Economist of the American Bankers Association.*

When one considers the type of men in the colonies in the period from 1750 to 1775 and what they wrought in the establishment of a new kind of government, and then considers the present generation of helpless onlookers, watching the destruction of their rights, one wonders at the effects upon people of wealth, comfort and well-being.—*Joseph Stephen Kimmel.*

The American people are proud of the dollar. We shall be even more proud of it if we make it not only the symbol of our industry and skill but the symbol also of our long-range wisdom and generosity. Let us give it away enough to relieve immediate hunger, lend it for the long-range statesmanship of the Marshall Plan, and control prices to preserve its purchasing power.—*Professor Bryn J. Houde of the New School for Social Research.*

American foreign policy is now made by the new Planning Division of the State Department, which, though it has to be more responsive to public

opinion than other foreign offices, has learned the techniques of leading from behind.—*The Economist, London.*

Buying political freedom for western European peoples with dollar credits means buying it from whom? Obviously, from these peoples themselves, since it is they, not the Comintern, who would receive the purchase price. If they are in a position to sell us their allegiance to the democratic principle, they are in a position to preserve it for themselves.—*Wall Street Journal.*

We need energetic action by government at all levels. Even more, we need determined action by private enterprise.—*President Truman to the National Association of Housing Officials.*

The Federal Government in times of peace should not take more than 50% of the income of any American.—*Harold E. Stassen.*

The almost insoluble character of the economic difficulties in England and most of western Europe is due to the political impossibility of instituting the measures needed to restore economic health.—*Towner Phelan.*

Every time our state does a job you and I could do, we are a little closer to being servants of our state. Any government can levy taxes until they become so burdensome that they destroy the source. Any government can socialize or communize all its charity, its industry, its agriculture and then the lives of its people.—*Governor Dewey.*

Without concerted international action, local policies for high levels of employment cannot fully succeed; and without a growing volume of international trade and intercourse, the possibilities of raising local standards of living are limited. Governments should, therefore, pursue whatever policies they adopt for the furtherance of domestic employment with due regard to the welfare of other countries and the prosperous growth of international trade.—*From resolutions of the International Chamber of Commerce.*

Had we in this hemisphere yielded to the economic utopias of either eastern or western Europe, I venture to say that hardly a ton of food or fuel

would be moving overseas. Sooner or later the utopia-seeking nations will notice these facts and their peoples will resume the only road to freedom from hunger and cold.—*Herbert Hoover.*

In being realistic, we must recognize that if the President is given the power to control prices, power to allocate and ration, and power to discriminate through the use of priorities, yes, even if he is given the power to control wages, he is not going to roll back prices, he is not going to roll back wages. To do so, he knows, you know, and I know, would be disastrous.—*Jesse P. Wolcott, Chairman of the House Committee on Banking and Currency.*

The old idea that any man, even one not necessarily versed in the law, was presumed to have a knowledge of the law, is very much a legal fiction today. Even the lawyers can't accurately tell you what the law is today. I mean no irreverence when I say that the Good Lord Himself would have great difficulty in telling you what the administrative laws of the land are.—*Senator Wiley.*

The inherent vice of capitalism is the unequal sharing of blessings; the inherent virtue of socialism is the equal sharing of miseries.—*Winston Churchill.*

Before 1914 the people of this country were owed by the rest of the world a debt equal to £100 each. Today each one of us in Britain owes the rest of the world £100.—*Statement by the British Conservative Party.*

Many Americans, actuated by acute distrust and hatred—well deserved—for the Germans, wished to truncate that country and reduce it to a purely agricultural state. The most logical method of attaining this objective would have been to have put most of the adult German population to the sword, to have spread salt upon the ruins of great cities,

CORRECTION

In the Autumn number of *American Affairs*, the following statement:

"The United States is not prepared to keep its economy at full production. Neither among the people nor from representatives of agriculture, labor, and business, has there emerged a conception of full production that is valid. Instead, thus far, for the most part, we have been making politics and not policies to deal with this matter. The conditions necessary to achieve this important objective are not understood."

was ascribed to Dr. Edwin G. Nourse, chairman of the President's Council of Economic Advisers, who has called our attention to the fact that he was quoting it from Professor Theodore Schultz.

and to have erected grim pyramids of human skulls as Genghis Khan once did in Asia. Failing such drastic dealings, we fell between wind and water.—*David Bruer, Assistant Secretary of Commerce.*

I think this Federation has no head; I think its neck has just grown up and haired over.—*John L. Lewis to the A. F. of L. Convention.*

Use of Damned Fools

Letter from a Miller

Lockport, N. Y.

Gentlemen:

Referring to the proposed investigation of grain speculation there is one point that seems to be entirely ignored, or possibly not even realized by government officials; namely that when a man buys grain as a speculator, he must eventually sell it.

Some government officials in discussing speculation seem to have the idea that speculators always buy wheat, for instance, and never sell it. Possibly they think they swallow it.

Another point: some bakers are trying to have the margins raised on "future" trading. These men apparently have no conception of the fact that a large part of "futures" trading in wheat is for hedging purposes, and apparently they do not realize that when processors can hedge and thus narrow speculative margins, they can afford to handle business on a closer margin than if forced to speculate as they would have to do if hedging were not available, or even if hedging were made practically impossible because of having to put up extremely large margins. Few concerns indeed could afford to margin their hedging trades 100% as suggested by some bakers, and buyers, also, who seem to be about as ignorant as a newborn babe on this whole question.

I might say that I am certainly not talking for the speculator. I have been in the milling business for over half a century and have never speculated on a bushel of grain either personally or for my company in all that time, excepting of course where I have been forced to speculate for my company where hedging facilities were not available, or, in other words, when the hedging markets were closed.

The plain fact is that history shows that speculators average to lose more than they gain through their speculative trading. Personally I think a speculator is a "damned fool," using those words strictly on the basis of the dictionary definitions of the two words meaning "a weak-minded person—doomed to perdition."

FRED J. LINGHAM,
President, Federal Mill, Inc.

Inflation as a Political Must

By a new law of self-preservation governments now
are obliged to practice bubble money economics

By Virgil Jordan

WE are well along and moving fast in a powerful and pervasive process of inflation which is primarily the product of domestic and foreign political forces and policies rather than of economic factors over which business management has much control. It has shown itself in most of the usual symptoms, except active security market speculation, and it has penetrated the whole economy much more deeply than we imagine, but its full force is still to be felt.

There is no indication that any of the factors promoting the inflation process have changed or will change very soon, and since they are mainly political in origin it is unlikely that any honest effort will be made to bring them under control, especially in an election season. As matters stand, there is no way of telling when or how it will end; but if past experience proves anything, its consequences will probably be catastrophic, both economically and politically, because its scale is colossal and unprecedented, and it has been going on so long.

Beneath and behind the current crises and emergencies, and likewise the endless synthetic series that preceded them during the past fifteen years, there is and has been—not merely incompetence and confusion—but a single consistent set of ideas, doctrines or dogmas, and a determined drive for power to apply and means to implement them in public policy. The inflation process in which we are caught is the outcome of those ideas and that drive, and if we want to comprehend what it means, what its consequences may be, or what can be done to avoid them, we shall first have to understand what the ideas and the drive behind it are.

Basically the underlying ideas and purposes are, to use Senator Taft's phrase, *totalitarian*, in the sense that they aim at ever more comprehensive and concentrated State control and management of the economy through the fiscal mechanism of government spending, taxation and borrowing. But the philosophy that justifies and fosters the chronic inflation process of the past fifteen years is not confined to officialdom or to any particular party; it permeates the whole public attitude toward government and the organized labor movement, and above

all, it has deeply penetrated the thought and feeling of the business community. This fact makes the problem of control and the prospect for the future a bit baffling, but there is no point in fooling ourselves about it, and we should begin to face it frankly when we consider any of the current questions of public and private policy that arise from the inflation process, such as price control, foreign aid, taxation and the like.

SINCE the war, and even while it was going on, most of the official soothsayers and governmental medicine-men whose divine mission it is to examine the statistical entrails of our managed economy have proclaimed the auspices of the future to be very unfavorable indeed, unless further substantial public sacrifices on the political altars were offered or commanded, in the form of continued or increased controls, ever higher wages, or more government spending at home or abroad, to sustain consumer purchasing power against the usual and otherwise inevitable fatality of postwar deflation, in face of a productive capacity enormously increased by the war.

Incidentally, during the past year this reading of the statistical tea leaves has become a bit embarrassing to the soothsayers, not so much because it didn't happen, which never bothers them, but because Mr. Stalin's sorcerers' apprentices and economic necromancers in Moscow seized upon the theme and developed it into a kind of "*Götterdämmerung*," a Dusk of the Gods, of American capitalist imperialism, whereas our own seers were only proposing or hoping for a postwar resurrection or extension of the New Deal. The Russian economists have been saying that our foreign loan or gift policy, which they denounce as dollar imperialism, will get us into serious economic trouble and ultimately cause an American collapse.

They therefore wish to see this country pour more billions into Europe, not for anything they will get out of it, but for the damage they believe it will do the American economy. They are too smart to say this, but it doubtless occurred to their boss that the

kind of speeches he sent Vishinsky here to make to the United Nations Assembly would be sure to weaken American opposition to the Marshall Plan or any other project for saving Europe from communism with more dollars; and as things are going today it seems likely to turn out that way.

BECAUSE of the ideas and purposes to which government has been committed for more than a decade its periodic fights against inflation have always inevitably been sham-battles. The attitude and policies of the Administration toward the problem have always been mounted on a kind of universal joint so that whatever the direction in which its gestures were pointed, its power was always expanded and the vehicle of government was always moved further along the road toward complete control of the economy.

This has been possible chiefly because everybody, including the business community, has been pretty well agreed or has taken it for granted that we must or will never have another depression; that this time there shall be no postwar deflation of wages, prices, employment or consumption; that economically, at least, the war must continue indefinitely. Whether or not the war seemed to bureaucracy or to business a disguised and disagreeable blessing that saved us on the brink of another depression, the immense expansion of purchasing power, the vast volume of forced consumption, the inflation of employment, the automatic and effortless market for goods, and all the other economic miracles of the war period seemed to most people in retrospect, when it stopped, as a sort of lost paradise, from which they parted with regret, and which they dreamed of regaining somehow sooner or later in peace.

Thus, strangely and insensibly, we in America began to absorb, as by transmigration, something of the spirit and mind of the Nazi economy as we were destroying its body. Even before it ended many began to think and talk of it as the war not merely to end war in the military sense, but to make its "dynamic" economic effects permanent and universal. If we couldn't or didn't arrange this by the proper national planning of public spending, taxation, exports and home consumption, it would prove that the "free enterprise system" didn't work any more, and the American people would be sure to thumb through the economic catalogue and select another system—maybe one of the late Communist models—that would manage things that way, only more successfully. In the highly competitive open market for economic systems we would have to offer all these gadgets and accessories of government planning on the free enterprise buggy or the Amer-

ican customer would switch to one of the collectivist models that had them.

Variations on this theme have filled the magazines and speeches of businessmen as well as those of unionists and of politicians of all parties. The idea of politically supported or forced consumption as a recipe for prosperity and stability, the doctrine of government responsibility and capacity to prevent depression by underwriting and managing the consumer market, is in fact so deep seated and widespread today that you can hardly find a trace of skepticism or opposition toward it anywhere. The necessity, desirability and possibility of maintaining and indefinitely expanding consumption by public action is indeed the dominant political dogma of the time, which has supplanted or assimilated the traditional ideas of democracy, republicanism and old-fashioned socialism alike nearly everywhere. The divine right of the consumer has replaced not only that of kings, but that of investors and lately that of labor unions, too.

ALMOST every country in the world, with Soviet Russia the notable exception—has become no longer merely a Welfare State but what can be called more accurately a Consumer State, with governments (whatever their particular and transient party labels or political creeds) committed in common to the support of the consumer citizen and the promotion of his Sacred Propensity to Consume, the mystical faith of which Karl Marx was the original Messiah and the late Lord Keynes was the chief modern apostle.

The simple fact is that with the vast growth of government power, State activity and political employment, which seems to be the common fruit of victory and defeat in the most recent world war, if not its chief objective, there has been a corresponding growth of faith in the capacity and responsibility of government to control, stabilize or expand the economy, domestic and international, by underwriting consumer purchasing power and administering or managing the markets in which it is used. Most businessmen, as well as labor and farmers, believe this, but governments—to whom it is a painfully professional matter—take it most seriously, whether or not they are sure just how to do it. From the point of view of all these groups consumer purchasing power is not a very mysterious thing; it is merely spending money, cash or credit, the unsatisfied desire for which is said to be the root of all evil, or at least all political evil. This being so, and self-preservation in power being the first law of political life, it is plain that any form or degree of deflationary action is today the one impossible or intolerable thing in public policy.

Not merely is every government, regardless of the dogma or doctrine of the particular party

administration in power, inescapably committed to prevent any deflation, but since nothing in nature or society ever stands still, all governments today inherently tend to function as instruments of more or less continuous inflation, mainly by their fiscal and currency operations, by their labor and foreign commercial and financial policies, and also by their influence upon the commodity markets or their outright management of them.

Since every price is someone's income, the most omnipotent and miraculous government can hardly hope or pretend to keep everybody's income up while it pushes somebody's price down, whatever the direction of its conversation may be from time to time, according to the political calendar, the trend and effect of its action is pretty consistently to sustain the general price level.

ALL government expansion tends toward inflation, but modern war, which makes government power complete and absolute, provides the most comprehensive mechanism and opportunity for continuous inflation, which no government can ever be expected to resist, relinquish, or reverse. So powerful and pervasive is this mechanism that once it is used in a war economy on the scale we witnessed after 1939 it inescapably sets the pattern for the peace economy. It was applied so effectively in the most recent war that it is impossible for any sane mind to imagine how the amount of money that was created in this and other countries as a result can ever be spent for goods and services in any free markets at prewar price levels, or how the debts it represents can ever be paid in prewar currency values; and in fact no one really expects these things to happen, at least so far as government policies have any influence on the matter.

Beyond all this is the more fundamental fact that we are in a cold-war economy, to use Mr. Bernard Baruch's phrase. The essential skeleton of wartime powers to administer the domestic and foreign markets—and a good deal more of the flesh than we imagine—is still intact; and the persistent emergence of Mr. Bowles with other members of his economic minstrel show from the limbo to which we imagined they had been relegated last November, are signs that the memory of the pleasure of exercising those powers over a people still lingers, and the hope of restoring the conditions under which they could be exercised by general consent still stirs in the bureaucratic breast. Banquo's ghost still walks among the somewhat sparser population on the Potomac, and so we are witnessing the effort to shape a peacetime postwar substitute for the public-spending, pump-priming, and market-control system of the New Deal and war decade, this time

using other countries as the base, and underwriting the foreign as well as the domestic market.

Since this global extension of the New Deal doctrine of underwriting the consumer market with public funds is tied up today with the necessity of fighting communism or preventing the "collapse" of European "democracy," we do not think of it as a device for postponing postwar deflation as long as possible; but whatever else it may be, it means that the economic soothsayers who read the auspices of the present Administration, having had their eye on the possibility of a slump before November, 1947, advised it a year ago to have the old New Deal medicine bottle of public spending money ready and well shaken, and begin using doses of the elixir of long political life which it contains. It means that our government, like all others in our time, has reconciled itself to continuous inflation as the only sure secret of successful and long occupancy of public office.

And so, despite or behind continuous conversation about the necessity of bringing some prices down, the inflationary pressure of fiscal, labor and foreign policy will be steadily and increasingly applied to keep all the politically important ones up. There will be a widening circle of foreign loans and gifts, and public works expenditures, perhaps a rearmament program. There will be continued and stubborn resistance to budget and tax reduction or to any effective curb on labor monopoly power to raise costs. There will be continued farm price parity support, consumption subsidies, production controls and governmental management of the market to maintain farm prices and farm incomes. As Secretary Anderson clearly indicated recently, if we can't underwrite the foreign market for farm products sufficiently to sustain current prices indefinitely, we'll have to put a "floor under domestic consumption" and underwrite it on a much larger scale than heretofore by making everybody buy somebody else a lunch.

NOT only the "social gains" and welfare legislation of the past fifteen years in this country, but the nationalization and other collectivist movements in Europe have been shaped and supported by the economic principle and the political purpose of guaranteeing, expanding and inflating consumption by government action. The process started with the old-style early New Deal idea of redistributing purchasing power by robbing the thrifty Peters in the population to bribe the spending Pauls to consume more. Then, when that proved not sufficient or fast enough, government began manufacturing "purchasing power" and passing it out freely on a colossal and ever-increasing scale, first for fake work in peace and finally for forced waste in war. So,

largely under our leadership, the whole world has come to imagine not merely that the vast compulsory consumption of the war was prosperity, but even if it wasn't, the losses could be compensated for by a corresponding process of forced consumption in peace through public spending at home or abroad. By our example almost everybody in the world has been convinced that you can not only eat your cake in wartime but have a couple of chocolate layer cakes afterward.

The current problem of saving Europe from communism or from "collapse" by a Marshall or some other plan for spending more government money to maintain foreign consumption, and the political crisis of prices that has accompanied it are the cumulative product of this "consumption complex" and the government policies that have developed out of it both here and abroad.

Its real relation to the spread of communism is probably the reverse of what we suppose, for several reasons. Inflation is the primary instrument of Communist strategy, and it has already been far advanced abroad with our aid and encouragement. But Russia is not really much interested in western Europe. Every country there is already a collectivist dictatorship of some shade or color, and there is not the least chance that their drift down this road can be halted short of Communist control merely by maintaining their socialist governments in power through Marshall Plan doles; nor does it matter very much. Russia is concerned mainly with immobilizing and demoralizing the military and economic power of this country and she knows well enough that spending money here to pour American resources into Europe will not restore any sort of free economy there but will help more than anything else to destroy what is left of it here.

Besides, she has none of the childish illusions we seem to have about the great attractions of communism for Europe, and the possibility of offsetting them by the superior seductions of a Marshall Plan. She knows better than we that what Europe promises to do in the way of more work, continental economic cooperation, control of inflation, cutting of government spending and the like in return for twenty billions more of American money is mostly moonshine.

EVERY European government is committed to the New Deal economic doctrine and political technique of subsidized or compulsory collective consumption. Whatever Soviet Russia may be, it is not a Consumer State—but the extreme opposite, a complete compulsory capitalism. It has no use whatever for the gospel according to Keynes. It is almost the only economic system left in the world

that operates on hard money, hard work and hard rations. The people of Europe know they will certainly get nothing in the way of easy relief or soft living from it, and they wouldn't like it at all. It is no longer a question of freedom with them. Neither they nor their politicians have much interest in economic or any other freedom any more. Saving Europe from communism will be mainly saving her from work, which her politicians and ours have persuaded their people to believe is superfluous or unimportant compared with consumption.

Whatever may happen to Europe in making her grim choice between working for Russia and working for herself, it is a tragic error at this stage of the struggle for us to imagine or encourage anyone to think that you can fight communism with money spent here for things sent abroad. Having fed and fattened the Russian enemy in Europe and Asia by the infantile folly of that procedure in the past and the incredible stupidity of the New Deal's foreign diplomatic and military policies before, during and after the war, at Yalta and Potsdam, much more direct and powerful weapons are needed than that one, which will only further weaken us at home. Whether in Europe or anywhere else, poverty is not the cause of communism, but the consequence. The real problem of Europe is not primarily one of financial or even of economic insolvency, but of moral and political bankruptcy, for which the New Deal and its spending policies are partly responsible, and we shall never be able to bail her out by more bribery or by more of the same medicine from the New Deal dope bottle.

On the Continent, in western Europe, production has been so crippled by war destruction and peace looting that it is hard to cast up the account; but the immense military establishments, the vast bureaucracies and the mass of political beneficiaries and dependents that are still being maintained by the printing presses—our own and others—suggests that the consumption of "social gains" and government services in all these countries is today probably as large as before the war, or larger.

For England it is plain from the figures that her difficulty arises mainly from the vast increase of consumption that has accompanied the redistribution of income and the growth of "social gains" which have been the gifts of government under socialism. Aggregate production has in fact increased substantially since prewar—the *London Economist* says between 10 and 20 per cent—but the mass consumption or average "standard of living" has been raised so much by the free money, free services and other "social gains" supplied by government that the country is busted and will have to work more, consume less or be supported by us at the standard of life to which we have accustomed her. It will be hard to wean any of these countries from

the breast of the benevolent State without much wailing, and so the chief export of England and the rest of Europe to this country since the war has been threats of revolution and communism.

Our own situation is probably not fundamentally different, except for the fact that our productive power has been so much greater that we could consume more, waste some of our capital to subsidize consumption abroad and export some of our "social gains" to others. In the past decade we have witnessed and participated in—nay, conducted—the most comprehensive experiment that is conceivable in applying the consumer purchasing power theory of prosperity as a principle of public policy. It has been carried out in global dimensions on a colossal scale, and one might expect it to be conclusive.

HAS it taught us anything? Only one lesson, so far as I can see, and that does not matter because we had already accepted it. It is this: Its application requires and inescapably causes increasing and ultimately complete control of the market, for the theory is true only in a rigid or frozen economy; it will ultimately work at all only where and when prices and wages, employment, investment, production and consumption are wholly determined by government. So it is that in every country where it has been applied—here, too—and in international trade, the price mechanism of the free market has been, and has had to be, progressively destroyed, paralyzed or suspended, until today no one anywhere can know the real value of his labor, his investment, or of any commodity or service he produces in terms of what he wants to consume, and the values of almost all currencies are political fictions. When the State undertakes to underwrite consumption and guarantee standards of living in terms of cash, the natural relationship between what you produce and what you consume is broken or distorted; it depends upon some pattern of political caprice or incompetence called a plan, and it becomes silly for either government or business to preach "production," and tell people to "work or want." Everybody translates that merely to mean "vote or want."

So the dream of Wallace in Wonderland has prematurely come true, not only in England but here, with our sixty million jobs, and hardly anybody working at them. We find ourselves today not merely with full employment but with immensely inflated employment. Production is pressing against the ceilings of a vast man-power and raw material wastage at home and abroad, under the force of national income figures immeasurably inflated by the turnover of government money in and out of the bureaucratic ratholes here and elsewhere.

Wage and salary payments per capita are 140%

above 1939, money in circulation is four times as much. The dollar consumption per capita of all goods and services has doubled since 1939. Consumption of food is 17% more per capita; of government services over 300% more. But total production per capita is only 53% higher. It is no wonder that prices are rising at the rate of 1% per month, the dollar losing about 10% of its value per year—five times as much as the interest return on a 2% bond—and we are drifting or being driven, like every other country, into more and more comprehensive and drastic State control of life and work. Whether we have learned it or not, the adventure of the past decade has demonstrated that "full employment" is impossible in a free economy.

FOR fifteen years now, our economy, and much of the world's, has been floated upward on an iridescent, ever-swelling bubble of money manufactured by government to stimulate, sustain, speed and subsidize individual and collective consumption here and abroad, in peace and war, in order to attain and maintain full employment. To keep this money-bubble growing we have had more and more to prevent the price-mechanism from operating, until it has been destroyed or driven underground in a large part of the world, and only fragments of a free market for commodities, capital or labor are left anywhere. The planetary pandemic of shortages of everything but money, the spiralling course of prices and wages, the drive or drift back to rationing and wartime controls, to State trading and monopolies, the current controversies of foreign economic policy, too, are all expressions of this process of political inflation, all implications of the consumption complex, and consequences of the "consumer statesmanship" of our time, and what has been done in the field of production is of secondary importance or effect.

The business outlook today depends here and everywhere more upon the future movements and dimensions of the American money bubble than anything else. A money-bubble economy can change only in one direction; no government today can ever think of shrinking it. Can we keep on blowing it up with European spending? Have our bobby-sox bureaucracies discovered a bubble gum that is indefinitely expandable? In the confusion, conflict and falsehood that mark our time one can no longer be sure of the answer to this or any other question, but I doubt it. Money-bubble economies have always burst, ultimately, and this one must, too, though no one can say with certainty when. The business future of America, if it is to have any, must have a more substantial basis than the money bubbles which benevolent government is forever blowing, and our greatest problem is to start building such a basis before it is too late.

A World Trade Charter Anyhow

Account of how the planners of the State Department delivered authority over American foreign trade to an international body

By Garet Garrett

ONE day in November, from the office of the American Mission to the United Nations at 2 Park Avenue, New York, the State Department made this singular announcement:

"The Secretary General of the United Nations, Mr. Trygve Lie, made public today the text of the General Agreement on Tariffs and Trade concluded by the United States and twenty-two other countries at Geneva, Switzerland, on October 30. . . . The General Agreement is the most comprehensive international instrument ever negotiated for the reduction of barriers to world trade. . . . From every point of view the Agreement is unprecedented in scope and importance in the history of international trade."

These statements were precisely true. For scope alone, the event was without precedent. By percentages ranging from 25 to 50, tariff rates were reduced on seven tenths of all dutiable merchandise imported into the United States—agricultural commodities, industrial commodities and manufactures—and on the remaining three tenths the rates were either reduced or bound not to be increased. Every segment of the American economy was bound to be affected, and from such a violent and sudden shift away from protectionism toward free trade many of the consequences would be unpredictable.

The second point of view in which the event was unprecedented established itself when all wires to Washington began to sing with demands for copies of the document. American business was most anxious to know what the State Department's experts had done to it at Geneva.

But you could not get the document from the American Government; you could get only a summary of it, and a summary of it would hardly do for those who had to know specifically what the new terms of foreign trade were going to be. Innumerable adjustments would be necessary, and the time was short because the State Department said that for the United States the agreement would be put into effect provisionally by proclamation of the President on January 1, 1948; by Great Britain, France, the Belgian-Netherlands-Luxemburg Customs Union, Australia and Canada on the same

date, and by other countries not later than June 30, 1948.

Why was the American Government unable to supply the document? To this impatient question the State Department issued a second singular statement, as follows:

"The text of the General Agreement on Tariffs and Trade, which contains over one thousand pages of schedules and individual concessions, as well as the text of the General Provisions, are available from the United Nations at \$5.00 per set of four volumes."

What did it mean? What was this unprecedented thing that had happened? This is what had happened:

Into an agreement on tariffs and trade the American experts had written the principles of a world trade charter, whereby authority over American foreign trade would be delivered to an international body within the frame of the United Nations, not by act of Congress but by proclamation of the President. To do this they had taken advantage of a New Deal law delegating to the President the power to make reciprocal trade arrangements with other countries by executive agreement.

And that was why American business had to be told by the American Government to apply to the United Nations to find out what the planners had done to it—and this would be information of a vital nature, touching not only foreign commerce directly but all domestic commerce by reaction.

As for the great leveling down of tariff rates, it is not now possible even to estimate intelligently what the effects upon the American economy will be. This is so for certain obvious reasons. The idea is that the tariff concessions we make to those from whom we buy goods are balanced by the concessions they make in favor of American goods on their markets, so that trade may be expanded all around. But for the time being at least the world is out of balance. Those to whom we make concessions are in no position to increase their exports to the American market, whereas our exports to them for several years to come will be paid for very largely with

American dollars provided by us, as under the Marshall Plan, which is not trade at all. Moreover, you cannot know how these new rates will affect our trade when and if the world does find some kind of new balance, unless you can predict for sure what a dollar will be worth then in terms of other people's money and what other people's cost of production will be in relation to our own.

Creating a Brilliant Dimness

But the story of how the State Department brought off the feat of committing the United States unawares to a world trade charter, beyond the reach of Congress, is complete. It is not simple. It entailed, says the State Department, "two years of intensive preparation both here and abroad, including six months of continuous international negotiations at Geneva." When the experts have spent two years on a job like that the result will be much more than meets the unwary eye. This natural difficulty is compounded by the fact that as you follow it you will find it necessary to keep two objects in view at one time, and both of them intently. One is a luminous object—and that is the world trade charter, proposed to be created by international treaty. The other is a dull, commonplace object—and that is a general agreement on trade and tariffs proposed to be negotiated by the State Department under the Reciprocal Trade Agreements Act, which was first passed by a New Deal Congress and since renewed. When you first see them these two objects are unlike and may be easily distinguished; but as you watch them they begin to revolve as upon an axis which the experts say is imaginary. Then one begins to reflect the light of the other and the two objects fuse, to the great confusion of the eye. Suddenly a General Agreement on Tariffs and Trade becomes in fact the International Trade Charter. It is signed and delivered to the United Nations, while the first luminous object, which was the International Trade Charter, goes off to another World Conference in Havana. So much for the prologue. Now enter the experts. It is their play.

The United Nations had its Dumbarton Oaks and the World Bank its Bretton Woods, but the World Trade Charter was an unexpected international child with no prenatal history. Its birth was announced by the State Department in December, 1945, in a document entitled, "Proposals for Expansion for World Trade Employment," prepared by a "technical staff within the government of the United States"; and these proposals were endorsed in principle by Great Britain on receiving a loan of \$3¾ billions from the United States. The following February, the Economic and Social Council of the

United Nations adopted the general idea in a resolution calling for a World Conference to consider the creation of an International Trade Organization and appointed a Preparatory Committee of nineteen nations to write a draft of it. For the benefit of this Preparatory Committee the State Department produced in September, 1946, a second document entitled "Suggested Charter for an International Trade Organization of the United Nations," which also was the work of "a technical staff within the government of the United States."

The Preparatory Committee of the United Nations, together with its experts, met in London and rewrote the State Department's draft. The result was called the London draft, which was published in all countries. The State Department held a series of public hearings on it. But even as these hearings were going on, the London draft was being rewritten by the experts reassembled in New York, and the result of this was called the New York draft. This also was tentative. The definitive draft would be written and perhaps signed at a World Conference at Geneva, Switzerland, which had already been called to convene for that purpose in the Spring of 1947.

The Basic Idea Takes Outline

But by this time the basic idea was clear and its outlines were set. The idea was to impose upon the trade of the world a universal charter. Acting under this charter would be an International Trade Organization, in fact, a supreme economic authority, invested with governmental powers to mind and correct the way nations trade with one another, and the power to inflict sanctions and penalties upon any nation that broke the code of fair trade practice or one that should seek to solve its own internal problems in any way detrimental to the economic welfare of all. Briefly, a collectivist world system of trade to be administered by experts.

The reactions of the world were evasive and, if one must say so, selfish. For the public ear there was a harmony of praise for the intention to reform the ruthless ways of trade and impose upon the business of the world, even though by severe authority, an order of good will and unselfish collaboration; but when it came to writing it down on paper, sounds of discord and hard bargaining issued from the conference room. Regarding it as an American idea to begin with, and knowing it to be something the American government very much wanted, other countries took the line of asking, "What will you give for it?" Or they aspersed the American motive, asking: "Are you sincere when you talk of removing trade barriers? If you are, why not take down your own tariff barriers and open the rich American

market to everybody alike? Your trade philosophy has always been protectionist. Will you change it?"

Those were hard questions to answer, and especially embarrassing because the State Department's experts were free traders at heart, whereas Congress, as they had reason to fear, still believed in protection.

Now this is the moment when you must begin to divide your attention between the luminous object you have been looking at and the dull, commonplace object that suddenly appears along with it. By the Trade Agreements Act of 1934, Congress had delegated to the President the power to reduce tariffs reciprocally by as much as 50% and to do it not by treaty in the old way but by executive agreement. Note carefully the difference between a treaty and an executive agreement. A treaty must come before the Senate for approval, whereas an executive agreement requires only to be proclaimed by the President and the Senate cannot touch it.

As they looked at this law the State Department's experts got the brilliant thought that when it came to getting support for the world trade charter at Geneva they could disarm resistance by offering to make a funeral pyre of American tariffs, and this they could do by executive trade agreements beyond the meddling of Congress. It would be a grand gesture of good faith and it would tend also to ease Europe's fear of American competition from behind high tariff walls.

This, of course, had to be announced, because to make it work the same nations that were going to meet in Geneva on the International Trade Charter had to be invited to take part at the same time and place in negotiations for an all-around reduction of tariffs on a reciprocal basis, upon the initiative of the United States.

A Little Play with Congress

So when in March, 1947, the Senate Committee on Finance opened hearings on the proposed International Trade Charter it was already known that parallel to the Geneva conference on the charter the State Department would open negotiations with the same twenty-odd nations for a horizontal reduction of tariffs.

But that was not all—and here is where the two objects you have been holding in view begin to fuse. The Senate Committee discovered that the State Department's experts were going to write the essential parts of the International Trade Charter into their trade agreements, to the end that when the trade agreements were made to take effect by executive order of the President there would be created also at the same time a provisional world charter and a provisional world economic authority,

without any yes or no from Congress. Senator Millikin, Chairman of the Senate Committee on Finance, gave his attention to this curious phenomenon of the two objects fusing. The Director of the Office of International Trade Policy of the State Department, Mr. Wilcox, appeared before the Committee, and the following exchanges took place:

SENATOR MILLIKIN: It is very apparent that you are setting up [in these trade agreements] an international control organization duplicating the heart of your proposed charter, so that you are doing provisionally, without the consent of Congress, in substance, the same thing that you have admitted must have the consent of Congress.

MR. WILCOX: Only a part of it.

SENATOR MILLIKIN: And if in part, why not all?

MR. WILCOX: Well, Senator, I am venturing beyond my competence on this point. I am not a Constitutional lawyer and I think you might wish the legal adviser to testify.

The legal adviser was called. He was Charles Fahy, speaking for the State Department.

SENATOR MILLIKIN: We have here a provision that from the time we end our reciprocal trade agreement negotiations at Geneva until the proposed International Trade Organization Charter comes into effect there shall be a provisional organization having roughly the same powers that the International Trade Organization will have when its proposed charter takes effect. What is the authority for entering into that provisional agreement without the consent of Congress?

MR. FAHY: I rely primarily there upon the Trade Agreements Act of 1934, as amended. If at Geneva, under the Trade Agreements Act, there is entered into, aside from the proposed International Trade Charter which is to be submitted to Congress, a trade agreement presently authorized by acts of Congress, an interim committee may be created to assist in the administration of that trade agreement.

SENATOR MILLIKIN: The proposal is to set up a provisional organization in most respects similar to the ultimate organization [the proposed world charter]. But there is no proposal to bring that provisional agreement back to Congress for any form of consent.

MR. FAHY: It is still a working paper. We have analyzed the provisions in terms of the existing laws of the United States. Some of them certainly I think are not presently authorized by the laws of the different states.

And there is where it was left, except that the State Department sent a long legal memorandum to the Committee, the effect of which was to leave the Committee with the vague understanding that if anything were written into the trade agreements which in the State Department's opinion ought to

be dealt with by Congress, the matter would be submitted for its action.

What Was Signed at Geneva

So, in April, 1947, the experts of twenty-three countries assembled at Geneva and sat for six months in what the State Department calls "continuous international negotiations." On one table was the draft of the International Trade Charter and on the other, guarded by the State Department's experts, was the material for the funeral pyre. The news became more and more tedious as the swapping went on, twenty-two countries trading their points of resistance against the charter for American tariff concessions, and the American experts using tariff concessions to gain support for the charter, phrase by phrase.

On October 30, the General Agreement on Tariffs and Trade was signed by all the twenty-three nations. *But the charter for the International Trade Organization was not.* That went to Havana for another World Conference, beginning November 21.

That General Agreement on Tariffs and Trade, which was signed, now is a document we look at. It was delivered to the United Nations and made public by the United Nations.

What is it?

It is an agreement, firstly, that international trade shall be regarded as a business between and among governments and that governments shall assume responsibility for it.

It is an agreement, secondly, that there shall be a world economic authority to govern international trade according to a code. In the proposed International Trade Charter the governing body would be called the International Trade Organization, composed of member nations. In this General Agreement the governing body is called the *Contracting Parties*. Article XXV reads that "representatives of the *Contracting Parties* shall meet from time to time for the purpose of giving effect to those provisions of this Agreement which involve joint action," and that the Secretary General of the United Nations "is requested to convene the first meeting of the *Contracting Parties* not later than March 1, 1948."

It is agreed that the body known as the *Contracting Parties*, Article XXIX, shall undertake, pending the acceptance of the International Trade Charter, "to observe to the fullest extent of their executive authority the general principles of the Draft Charter submitted to the Conference by the Preparatory Committee." This means the Geneva draft that went to Havana.

It is agreed that when and if the International Trade Charter is adopted it shall supersede this General Agreement, and that the international

authority called the *Contracting Parties* shall thereupon transfer its powers to the International Trade Organization created by the charter.

It is agreed that the international authority named the *Contracting Parties* shall meanwhile have the power to discipline by expulsion or otherwise any contracting party that may be found guilty of conducting its foreign trade in a manner detrimental to the general welfare or of violating the principles already set forth in the unsigned draft of the International Trade Charter.

It is agreed furthermore that the international authority named the *Contracting Parties* may in exceptional circumstances excuse any contracting party from its obligations and do this by a two-thirds vote. This provision is especially interesting when you take it in relation to the next one. The next one is that: "Each contracting party shall be entitled to have one vote at all meetings of the contracting parties."

This means that by vote of the international authority named the *Contracting Parties*, with the United States having one vote only, any contracting party may be relieved of its obligations to the United States and in that case the United States, whose industrial power more than equals that of all the others combined, could either yield or retaliate and get itself expelled from the system.

A Strange Invention

Wherein the articles of the General Agreement may be any less definite than the articles of the Geneva draft of the International Trade Charter, this weakness is made good by the undertaking of the *Contracting Parties* "to observe to the fullest extent of their executive authority the general principles" of the Geneva draft. Moreover, Article XXX of the General Agreement says that it may be amended in some cases by unanimous vote and in others by a two-thirds vote of the *Contracting Parties*.

If the International Trade Charter is adopted, it will automatically supersede this General Agreement; but if the International Trade Charter is not adopted there is apparently nothing to prevent the *Contracting Parties* under this General Agreement from so amending the General Agreement as to include the Geneva draft of the International Trade Charter completely. Thus when the General Agreement takes effect upon executive order of the President the situation will be that:

(1) Authority over the foreign trade of the United States will have been delivered to an international body in which the United States has one vote, and

(2) We shall be bound by that authority for at least three years from January 1, 1951, whether or

not the International Trade Charter is signed at Havana and whether or not, after it has been signed, the Senate approves it as a treaty.

It is a strange invention that binds the *Contracting Parties* of the General Agreement to observe the principles of a world trade charter that has not yet been signed and may in fact never be. Remember what the problem of the American experts was. It was how to deliver authority over American foreign trade to an international body as a *fait accompli*, or a thing already done; their solution was to apply the metaphysical thought of Proklos—"that what the first *is* the second *has* as predicate."

Principle and Purpose

Now what remains to be regarded is the first luminous object, namely, the International Trade Charter itself, since its principles are going to be applied under the General Agreement by the *Contracting Parties*. The last writing of it was the Geneva draft which went to Havana for final conference, beginning November 21st last. The conference may continue for some time and what will come of it is not predictable. However, it is not likely that the controlling principle and the first purpose will be rewritten at Havana. Through all the recasting, paragraph by paragraph, they have never changed and they are not in dispute.

The controlling principle is that the trade of the world shall be planned by an economic authority within the United Nations, invested with governmental powers.

The first purpose is to eliminate from the trade of the world the disturbing effects of free price and free competition.

The original statement was one of ideal intentions—ideal, that is to say, from the world planners' point of view. Those intentions were such as "to promote the solution of problems in the field of international commercial policies"; "to enable members to avoid recourse to measures destructive of world commerce"; "the reduction of tariffs and other trade barriers," and above all, "the elimination of all forms of discriminatory treatment." But as the State Department's original draft was recast, once in London, again in New York, and a third time in Geneva, so many exceptions were written into it that as it now reads a member nation may do in principle anything it ever did before, including the practice of discrimination, *only provided* it is done with the consent of the supreme economic authority, which is the International Trade Organization, with its Conference, its Executive Board, its system of commissions and committees and its Director General and staff, "who shall be exclusively international in character."

Exceptions you see—exceptions general and particular, exceptions that may be claimed in special circumstances as they arise—do not impair the principle of a planned economic world, since the exceptions, too, must be planned.

The Use of a Planned World

Some may be shocked by the statement that the first purpose is to limit and control the effects of free price and free competition. They will call attention to the fact that in the statement of purpose, "*to avoid fluctuations in world trade*," was deleted at Geneva. They will call attention to Article 44, Chapter V, which reads: "Each member shall take appropriate measures, individually or through the Organization, or in both ways, to prevent business practices affecting international trade which restrict competition, limit access to markets or foster monopolistic control."

Nevertheless, the idea of a planned world cannot be reconciled with free prices and free competition. There is no point whatever in planning the trade of the world if you are going to let it be controlled as before by free market forces.

And nevertheless, secondly, you will find it in the text. Article 54 provides for Intergovernmental Commodity Agreements to "prevent or alleviate the serious economic difficulties which may arise when adjustment between production and consumption cannot be effected by *normal market forces alone* as rapidly as the circumstances require," and "to moderate pronounced fluctuations in the price of a primary commodity with a view to achieving a reasonable degree of stability on the basis of *prices fair* to consumers and remunerative to efficient producers." (Italics supplied.)

In the first case the International Trade Organization will determine whether the price of a commodity shall be left to the mercy of *normal market forces*, and in the second what would be a *fair price* for all concerned.

Article 59 provides that—"Intergovernmental commodity control agreements may be employed when conditions cannot be corrected by *normal market forces* in time to prevent hardship," and when "a substantial reduction in price does not readily lead to a significant increase of consumption but to a reduction of employment because areas in which the commodity is produced do not afford alternative employment opportunities for the workers involved." Article 60 says that "such agreements shall be designed to assure the availability of supplies adequate at all times for world demand at *reasonable prices*." (Italics supplied.)

The kind of economic freedom these planners are thinking of is a planned freedom. The kind of

price they are thinking about is a reasonable price to be determined by the economic authority; the kind of competition they mean is competition that does not hurt. If it hurts, it shall be forbidden.

Some Logical Consequences

Nor is it probable that what follows from the controlling principle and the first purpose, as these have been defined, will be denied in any of the re-writing of the charter at Havana. That is so because all the consequences are logical. One of them is that each member nation will have to conform its internal economy to its international obligations. This may be illustrated by two examples:

(1) If a member nation, with the consent of the International Trade Organization, restricts its imports of a competitive commodity, it must undertake at the same time to reduce its own production of that commodity proportionately, so that the ratio of imports to domestic production shall remain as it was before.

(2) Article 18, paragraph b, reads that "no member shall formally, or in effect, restrict the mixing, processing or use of a product of which there is no substantial domestic production with a view to affording protection to the domestic production of a directly competitive or substitutable product." This is subject only to the provision that if a nation already has such a law, it shall not be changed to the further detriment of imports.

The phrasing of this provision, seeming to be so general, does particularly regard this country's synthetic rubber industry. There now is a law requiring that a certain amount of synthetic material be mixed with the imported natural material in the manufacture of rubber goods. Another paragraph in the same article touches sugar by forbidding a member nation to require that any "specified amount of a commodity consumed shall be produced domestically." The Sugar Act of 1947 does precisely that.

The Geneva draft is fairly crowded with phrasing that would be subject to interpretation. Regard in that character the two paragraphs following, which oblige a member nation to relate its internal employment policies to the international welfare. . .

"1. The Members recognize that the avoidance of unemployment or underemployment through the achievement and maintenance in each country of useful employment opportunities for those able and willing to work and of a large and steadily growing volume of

production and effective demand for goods and services is not of domestic concern alone. . .

"2. The Members recognize that, while the avoidance of unemployment or underemployment must depend primarily on domestic measures, such measures should be supplemented by concerted action under the sponsorship of the Economic and Social Council of the United Nations."

A member nation shall not adopt measures to keep its own people employed if the International Trade Organization finds that the effect of such measures is to make it more difficult for other member nations to provide full employment for their people. This definitely constitutes a limitation upon free competitive exports.

Even though the Charter Fails

The principles and purposes of the charter, as here denoted, are not in dispute at Havana. What is happening there is principally a struggle between, on the one hand, poor and undeveloped countries whose future development would be subject to the wisdom of the planner in a planned world, and, on the other hand, the rich countries whose experts would control the planning. Weaker nations want more exceptions in their favor and the American Government for one is opposed to writing any more exceptions in. The weaker nations naturally are fearful of the power this International Trade Organization would have over their destinies, such as power "to promote a shift of resources and man power out of overexpanded industries into new and productive occupations," the power to discipline any nation that refuses to accept its decisions, and lastly this grant of unlimited power; namely, "to take any other action necessary and proper to carry out the provisions of this charter." *Necessary and proper* of course in its own judgment.

The charter may fail. That is a possibility. But if it fails it will still live in the General Trade Agreement under which the *Contracting Parties* undertake "to observe its principles to the fullest extent of their executive authority."

NOTE—On December 16, the President proclaimed the General Agreement on Tariffs and Trade, as signed at Geneva to take effect provisionally January 1, 1948.



"To Govern Without Law"

*A dissenting opinion written by Mr. Justice Jackson
and concurred in by Mr. Justice Frankfurter*

Supreme Court of the United States

HERE a long smoldering conflict of philosophy on the bench of the Supreme Court bursts into flame. Perhaps never before has a majority of the court been so bitterly castigated by a dissenting minority. The language is legal, but coming through it are such phrases as:

"... **this power to decide without law—**"

"... **administrative authoritarianism—**"

"... **conscious lawlessness as a permissible rule—**"

"... **method of dispensing with laws—**"

and

"... **ominous to those who believe that men should be governed by laws.**"

What follows is the entire opinion.—Editor.

Securities and Exchange Commission v. Chenery Corporation, et al.
[October 6, 1947.]

Mr. Justice Jackson, dissenting.

THE Court by this present decision sustains the identical administrative order which only recently it held invalid. *SEC v. Chenery Corp.*, 318 U.S. 80. As the Court correctly notes, the Commission has only "recast its rationale and reached the same result." There being no change in the order, no additional evidence in the record and no amendment of relevant legislation, it is clear that there has been a shift in attitude between that of the controlling membership of the Court when the case was first here and that of those who have the power of decision on this second review.

I feel constrained to disagree with the reasoning offered to rationalize this shift. It makes judicial review of administrative orders a hopeless formality for the litigant, even where granted to him by Congress. It reduces the judicial process in such cases to a mere feint. While the opinion does not have the adherence of a majority of the full Court, if its pronouncements should become governing principles they would, in practice, put most administrative orders over and above the law.

I.

THE essential facts are few and are not in dispute. This corporation filed with the Securities and Exchange Commission a voluntary plan of

reorganization. While the reorganization proceedings were pending sixteen officers and directors bought on the open market about 7½% of the corporation's preferred stock. Both the Commission and the Court admit that these purchases were not forbidden by any law, judicial precedent, regulation or rule of the Commission. Nevertheless, the Commission has ordered these individuals to surrender their shares to the corporation at cost, plus 4% interest, and the Court now approves that order.

It is helpful, before considering whether this order is authorized by law, to reflect on what it is and what it is not. It is not conceivably a discharge of the Commission's duty to determine whether a proposed plan of reorganization would be "fair and equitable." It has nothing to do with the corporate structure, or the classes and amounts of stock, or voting rights or dividend preferences. It does not remotely affect the impersonal financial or legal factors of the plan. It is a personal deprivation denying particular persons the right to continue to own their stock and to exercise its privileges. Other persons who bought at the same time and price in the open market would be allowed to keep and convert their stock. Thus, the order is in no sense an exercise of the function of control over the terms and relations of the corporate securities.

Neither is the order one merely to regulate the future use of property. It literally takes valuable property away from its lawful owners for the benefit of other private parties without full compensation and the Court expressly approves the taking. It says that the stock owned by these persons is denied conversion along with similar stock owned by

others; "instead, it was to be surrendered at cost plus dividends accumulated since the purchase dates." It should be noted that this formula was subsequently altered to read "cost plus 4% interest." That this basis was less than its value is recognized, for the Court says "That stock had been purchased in the market at prices that were depressed in relation to what the management anticipated would be, and what in fact, was the earning and asset value of its reorganization equivalent." Admittedly, the value above cost, and interest on it, simply is taken from the owners, without compensation. No such power has ever been confirmed in any administrative body.

It should also be noted that neither the Court nor the Commission purports to adjudge a forfeiture of this property as a consequence of sharp dealing or breach of trust. The Court says, "The Commission admitted that the good faith and personal integrity of this management were not in question; . . ." And again, "It was frankly admitted that the management's purpose in buying the preferred stock was to protect its interest in the new company. It was also plain that there was no fraud or lack of disclosure in making the purchases."

II.

THE reversal of the position of this Court is due to a fundamental change in prevailing philosophy. The basic assumption of the earlier opinion as therein stated was, "*But before transactions otherwise legal can be outlawed or denied their usual business consequences, they must fall under the ban of some standards of conduct prescribed by an agency of government authorized to prescribe such standards.*" *SEC v. Chenery Corp.*, 318 U. S. 80, 92-93.

The basic assumption of the present opinion is stated thus: "*The absence of a general rule or regulation governing management trading during reorganization did not affect the Commission's duties in relation to the particular proposal before it.*"

This puts in juxtaposition the two conflicting philosophies which produce opposite results in the same case and on the same facts. The difference between the first and the latest decision of the Court is thus simply the difference between holding that administrative orders must have a basis in law and a holding that absence of a legal basis is no ground on which courts may annul them.

As there admittedly is no law or regulation to support this order we peruse the Court's opinion diligently to find on what grounds it is now held that the Court of Appeals, on pain of being reversed for error, was required to stamp this order with its approval. We find but one. That is the principle of judicial deference to administrative experience.

That argument is five times stressed in as many different contexts, and I quote just enough to identify the instances: "The Commission," it says, "has drawn heavily upon its accumulated experience in dealing with utility reorganizations." "Rather, it has derived its conclusions from the particular facts in the case, its general experience in reorganization matters and its informed view of statutory requirements." "Drawing upon its experience, the Commission indicated . . .," etc. ". . . the Commission has made a thorough examination of the problem, utilizing statutory standards and its own accumulated experience with reorganization matters." And finally, of the order the Court says, "It is the product of administrative experience," etc.

What are we to make of this reiterated deference to "administrative experience" when in another context the Court says, "Hence, we refuse to say that the Commission, *which had not previously been confronted with the problem of management trading during reorganization*, was forbidden from utilizing this particular proceeding for announcing and applying a *new standard of conduct*?" (Emphasis supplied.)

The Court's reasoning adds up to this: The Commission must be sustained because of its accumulated experience in solving a problem with which it had never before been confronted!

Of course, thus to uphold the Commission by professing to find that it has enunciated a "new standard of conduct," brings the Court squarely against the invalidity of retroactive lawmaking. But the Court does not falter. "That such action might have a retroactive effect was not necessarily fatal to its validity." "But such retroactivity must be balanced against the mischief of producing a result which is contrary to a statutory design or to legal or equitable principles." Of course, if what these parties did, really was condemned by "statutory design" or "legal or equitable principles," it could be stopped without resort to a new rule and there would be no retroactivity to condone. But if it had been the Court's view that some law already prohibited the purchases, it would hardly have been necessary three sentences earlier to hold that the Commission was not prohibited "from utilizing this particular proceeding for announcing and applying a *new standard of conduct*." (Emphasis supplied.)

I give up. Now I realize fully what Mark Twain meant when he said, "The more you explain it, the more I don't understand it."

III.

BUT one does not need to comprehend the processes by which other minds reach a given result in order to estimate the practical consequences

of their pronouncement upon judicial review of administrative orders.

If it is of no consequence that no rule of law be existent to support an administrative order, and the Court of Appeals is obliged to defer to administrative experience and to sustain a Commission's power merely because it has been asserted and exercised, of what use is it to print a record or briefs in the case, or to hear argument? Administrative experience always is present, at least to the degree that it is here, and would always dictate a like deference by this Court to an assertion of administrative power. Must the reviewing court, as this Court does in this opinion, support the order on a presumptive or imputed experience even though the Court is obliged to discredit such experience in the very same opinion? Is fictitious experience to be conclusive in matters of law and particularly in the interpretation of statutes, as the Court's opinion now intimates, or just in fact-finding which has been the function which the Court has heretofore sustained upon the argument of administrative experience?

I suggest that administrative experience is of weight in judicial review only to this point—it is a persuasive reason for deference to the Commission in the exercise of its discretionary powers under and within the law. It cannot be invoked to support action outside of the law. And what action is, and what is not within the law must be determined by courts, when authorized to review, no matter how much deference is due to the agency's fact-finding. Surely an administrative agency is not a law unto itself, but the Court does not really face up to the fact that this is the justification it is offering for sustaining the Commission action.

Even if the Commission had, as the Court says, utilized this case to announce a new legal standard of conduct, there would be hurdles to be cleared, but we need not dwell on them now. Because to promulgate a general rule of law, either by regulation or by case law, is something the Commission expressly declined to do. It did not previously promulgate, and it does not by this order profess to promulgate, any rule or regulation to prohibit such purchases absolutely or under stated conditions. On the other hand, its position is that no such rule or standard would be fair and equitable in all cases.

IV.

WHETHER, as matter of policy, corporate managers during reorganization should be prohibited from buying or selling its stock, is not a question for us to decide. But it is for us to decide

whether, so long as no law or regulation prohibits them from buying, their purchases may be forfeited, or not, in the discretion of the Commission. If such a power exists in words of the statute or in their implication, it would be possible to point it out and thus end the case. Instead, the Court admits that there was no law prohibiting these purchases when they were made, or at any time thereafter. And, except for this decision, there is none now.

The truth is that in this decision the Court approves the Commission's assertion of power to govern the matter *without* law, power to force surrender of stock so purchased whenever it will, and power also to overlook such acquisitions if it so chooses. The reasons which will lead it to take one course as against the other remain locked in its own breast, and it has not and apparently does not intend to commit them to any rule or regulation. This administrative authoritarianism, this power to decide without law, is what the Court seems to approve in so many words: "The absence of a general rule or regulation governing management trading during reorganization did not affect the Commission's duties. . . ." This seems to me to undervalue and to belittle the place of law, even in the system of administrative justice. It calls to mind Mr. Justice Cardozo's statement that "law as a guide to conduct is reduced to the level of mere futility if it is unknown and unknowable."

V.

THE Court's averment concerning this order that "it is the type of judgment which administrative agencies are best equipped to make and which justifies the use of the administrative process," is the first instance in which the administrative process is sustained by reliance on that disregard of law which enemies of the process have always alleged to be its principal evil. It is the first encouragement this Court has given to conscious lawlessness as a permissible rule of administrative action. This decision is an ominous one to those who believe that men should be governed by laws that they may ascertain and abide by, and which will guide the action of those in authority as well as of those who are subject to authority.

I have long urged, and still believe, that the administrative process deserves fostering in our system as an expeditious and nontechnical method of *applying law* in specialized fields. I cannot agree that it be used, and I think its continued effectiveness is endangered when it is used, as a method of *dispensing with law* in those fields.

Mr. Justice Frankfurter joins in this opinion.

“To Secure These Rights”

(A Study in the Course of Government)

I.

WHEN it came to be ratified by the people the Constitution of the United States would have been voted down but for an understanding beforehand that certain rights and immunities, to be forever inviolable, should be spelled out in a series of amendments, which was done. The ten amendments, adopted in 1791, ever since called the Bill of Rights, were as follows:

BILL OF RIGHTS

ARTICLE I. (Religious Establishment Prohibited. Freedom of Speech, of the Press, and Right To Petition)

Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech or of the press; or the right of the people peaceably to assemble and to petition the Government for a redress of grievances.

ARTICLE II. (Right To Keep and Bear Arms)

A well-regulated militia being necessary to the security of a free State, the right of the people to keep and bear arms shall not be infringed.

ARTICLE III. (No Soldier To Be Quartered in Any House, Unless, etc.)

No soldier shall, in time of peace, be quartered in any house without the consent of the owner, nor in time of war but in a manner to be prescribed by law.

ARTICLE IV. (Right of Search and Seizure Regulated)

The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated, and no warrants shall issue but upon probable cause, supported by oath or affirmation, and particularly describing the place to be searched, and the persons or things to be seized.

ARTICLE V. (Provisions Concerning Prosecution, Trial and Punishment—Private Property Not To Be Taken for Public Use Without Compensation)

No person shall be held to answer for a capital or other infamous crime unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the militia, when in actual service, in time of war or public danger; nor shall any person be subject for the same offense to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use without just compensation.

ARTICLE VI. (Right To Speedy Trial, Witnesses, etc.)

In all criminal prosecutions, the accused shall enjoy the right to a speedy and public trial, by an impartial jury of the State and district wherein the crime shall have been committed, which districts shall have been previously ascertained by law, and to be informed of the nature and cause of the accusation; to be confronted with the witnesses against him; to have compulsory process for obtaining witnesses in his favor, and to have the assistance of counsel for his defense.

ARTICLE VII. (Right of Trial by Jury)

In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury shall be otherwise reexamined in any court of the United States than according to the rules of the common law.

ARTICLE VIII. (Excessive Bail or Fines and Cruel Punishment Prohibited)

Excessive bail shall not be required, nor excessive fines imposed, nor cruel and unusual punishments inflicted.

ARTICLE IX. (Rule of Construction of Constitution)

The enumeration in the Constitution of certain rights shall not be construed to deny or disparage others retained by the people.

ARTICLE X. (Rights of States Under Constitution)

The powers not delegated to the United States by the Constitution, nor prohibited by it to the States are reserved to the States respectively, or to the people.

A strong central government was necessary and yet fear of it was instinctive in a people who meant to be free. Therefore they were resolved to limit its powers. They knew the immemorial nature of government and how, true to the law of its own nature, it will seek relentlessly to extend its authority over the lives of the governed, seizing for that purpose every occasion of war and emergency, and never so plausible about it, never so dangerous to the life of liberty, as when proceeding upon grounds of good intention.

Thus was created for the first time in the world constitutional, representative, limited government, with emphasis on *limited*. De Tocqueville said of it:

“In that land the great experiment was to be made by civilized man of the attempt to construct society upon a new basis; and it was then for the first time that theories hitherto unknown or deemed impracticable were to exhibit a spectacle for which the world had not

been prepared by the history of its past." (*Democracy in America, Chapter I.*)

In any scheme of government the first question of all is what to do with sovereignty. Where shall it reside? Whose word shall be in the last case supreme? The American solution was to distribute sovereignty so that such a thing as willful, absolute, unrestrained sovereignty should not exist anywhere.

Above the Constitution are the people. They can do what they like with the Constitution. They can change it or tear it up and write a new one. And so we say that in our scheme sovereignty resides in people. But even the sovereignty of the people is limited in a certain way. It is true that they are free to change the Constitution or to tear it up and make a new one, but *only provided* they do it in a constitutional manner. If they do it they are bound to do it in the way ordained by the Constitution; and that is to save them from doing it hotly or without due consideration. If there is a revolution, it must be a lawful revolution, and the process of lawful revolution has its formula in the Constitution.

As the people are above the Constitution so the Constitution is above government. The powers of the Federal Government are limited by a written Constitution. But as we have learned, and as the designers knew, writing is subject to endless interpretation; the meaning of words is not fixed. Therefore to limit the powers of the Federal Government by writing alone was not enough. They were further limited by a most ingenious device of checks and balances, the purpose of this device being to make the powers of government self-limiting.

As in the nursery three children are better than two, because if there are three then two may always combine against one and so control the aggressor, so the founders rested the American government on three coequal principles, each one free and independent in its own sphere and therefore two of them always free to combine against the third.

The three principles are:

- (1) The legislative principle, namely Congress, to make the laws;
- (2) The executive principle, namely the President, to administer and execute the laws, and
- (3) The judicial principle, which is the Supreme Court, to say whether or not the laws passed by Congress, which are called statute laws, conform to the Constitution, which is the supreme law.

The Congress is free to pass any law it likes. The President is free to veto an act of Congress if he dislikes it. The Congress is then free to overrule the President's veto by a two-thirds vote, and the President in that case is obliged to execute the law.

But the Supreme Court is yet to be heard from. It may say that the law passed by Congress is unconstitutional and void. And it is void in that case, but not finally. If the people really want it, they may amend the Constitution, in which case, as with the famous income tax law, the Supreme Court is obliged to say: "Very good. The law which we once declared to be unconstitutional and void is now good because the Constitution has been amended by the will of the people."

It takes a little time to amend the Constitution, and again the use of that is to save people from doing something in anger or by ill-considered impulse.

In yet a third way the powers of the Federal Government were limited; that was by the right of the states to govern themselves. If you will glance again at articles IX and X of the Bill of Rights, you will see that there was never to be any doubt about what the states had done. As an act of sovereignty they surrendered to the Federal Government only certain powers—the very minimum necessary to enable it to function—and reserved to themselves every kind of power not thus particularly surrendered. From this dual sovereignty came the endless and sometimes bitter feud between the Federal Government and the several states, the Federal Government pressing all the time to extend its authority over matters which the states regarded as their own to do with as they pleased. The right of a state to secede from the Union was at issue in the Civil War.

So you see how sovereignty was distributed, beginning at the source and returning to the source—the source being in every case the people, who, nevertheless, limited their own sovereignty by imposing upon themselves a written constitution.

Then state sovereignty itself was distributed. Each state is organized in the pattern of the Federal Government. That is to say, each state has also a written constitution, which is its supreme law, and under the constitution the three co-equal powers, namely, the legislature, corresponding to the United States Congress; the governor, corresponding to the President of the United States; and the Supreme Court, corresponding to the United States Supreme Court. Furthermore in each state there is a system of county and township governments, each county having some sovereignty against the state and each township some sovereignty against the county.

It was a very complicated arrangement altogether, and from the beginning there was conflict between the sovereignty of the Federal Government and the sovereignty of the states; nevertheless for a long time it worked and while it worked we had the freest individual in the world and the kind of government that governed least.

II.

GRADUALLY, however, the true nature of government asserted itself. For all the restraints imposed upon it, by the Constitution firstly and by the sovereignty of the states secondly, the power of the Federal Government did advance, not by any act of illegal seizure but always within the form of democratic process, people saying all the time it was reversible, and Congress saying as it delegated more and more of its own legislative power to the President that whenever it would it could take it back. This went on until at last the Congress made the fatal mistake of surrendering to the President control of the public purse. This was to have been for the duration of an economic emergency only. But the delicate mechanism of checks and balances provided for in the Constitution has never since ticked.

The New Deal revolution consisted principally in this—that by acts of abdication on the part of Congress, including delegation of the law-making power to the President, and the creation at the same time of executive agencies with power to make and administer their own laws, the executive principle of government was enormously exalted. It was already pressing to fill all space when the war came, and that was its release. The power of the executive principle now is immeasurable. No affair of life is immune from its interventions. From a description of American government the word *limited* has been deleted. People have ceased to imagine that they control it or that they could if they would. In their way of speaking of it they reveal not only the sense of being controlled by it but a feeling of being dependent upon it for welfare, security, and prosperity.

All of this might have happened in a kind of negative way, or in default of resistance, as Jefferson foresaw when he said: "The rule is for government to gain and liberty to give away." It might have been only that resistance was weakened and disarmed by the munificence of paternalistic government, saying to the people: "Don't be afraid. It is your government."

But there has been also a positive change. Among the new freedoms guaranteed by government is freedom from fear. And this seems now to include freedom from fear of government. The idea that people must protect themselves from government is gone. In place of it is the idea that now government must protect people from themselves. And this complete inversion is almost unnoticed.

President Truman expresses the new idea when he says that although the Bill of Rights was added to the Constitution to protect the people against government, "the extension of civil rights today means not protection of people against the government but protection of people by the government."

III.

LAST year by executive order the President created a Committee on Civil Rights to consider how the police power of Federal Government may be carried into states, cities and local communities for the protection of the people's civil rights. On giving this committee its assignment he said:

"In some places, from time to time, the local enforcement of law and order has broken down. . . . The constitutional guarantees of individual liberties and of equal protection under the laws clearly place on the Federal Government the duty to act when state or local authorities abridge or fail to protect these constitutional rights. . . . We must provide the Department of Justice with the tools to do the job."

The members of the Committee were: Mr. C. E. Wilson, chairman; Mrs. Sadie T. Alexander, Mr. James B. Carey, Mr. John S. Dickey, Mr. Morris L. Ernst, Rabbi Roland B. Gittelsohn, Dr. Frank P. Graham, The Most Reverend Francis J. Haas, Mr. Charles Luckman, Mr. Francis P. Matthews, Mr. Franklin D. Roosevelt, Jr., The Right Reverend Henry Knox Sherrill, Mr. Boris Shishkin, Mrs. M. E. Tilly, Mr. Channing H. Tobias.

In a document of 178 pages entitled, "To Secure These Rights," the Committee has made its report and a bitter controversy will come of it.

The rights in question here are civil rights. Every normal person will be moved by the recital of how, beyond the protective powers of the Federal Government, the individual's civil rights are often violated. In some regions and localities it is done systematically and with cruelty. Nearly everywhere racial minorities are more or less injured by prejudice and discrimination. If you say the report itself is biased and presents a picture of American tolerance so far out of drawing that the Communists will add it to their propaganda, the Committee has already answered your criticism. It says: "We did not devote ourselves to the construction of a balance sheet. . . . Instead we have almost exclusively focused our attention on the bad side of our record."

On the bad side it weighs heavily the disability of the Negro in the South, and lynching. About lynching, the Committee says in one place:

"The very fact that these outrages continue to occur, coupled with the fact that the states have been unable to eliminate them, points clearly to a strong need for federal safeguards."

You would take it from this that the record of the states dealing by their own laws with Negro lynching had been very bad indeed. Yet in another place, page 21, there is a chart showing that for more than 50 years, without any federal anti-lynching law,

the crime of lynching has been steadily approaching zero. Commenting on its own chart the Committee is obliged to call attention—

“to the very substantial and steady decline in the number of lynchings which has occurred in the last two decades. From a high point of 64 lynchings in 1921, the figures fell during the 1920’s to a low of 10 in 1928. During the decade of the 1930’s the total climbed again to a high of 28 in 1933, although the decade ended with a low of 3 in 1939. Since 1940, the annual figure has never exceeded 6; on the other hand, there has not yet been a year in which America has been completely free of the crime of lynching. The Committee believes that the striking improvement in the record is a thing to be devoutly thankful for; but it also believes that a single lynching is one too many!”

No one will say that one lynching is not one too many. Nor one murder. The question is—does the local crime of lynching, and a vanishing crime at that, now oblige us to abandon one of the principles upon which constitutional, representative, limited government rests, the principle, namely, of state and local self-government? It happens again and again in the debates over proposals to enact a federal anti-lynching law, a federal anti-poll tax law, or a federal anti-discrimination law, that those who resist extensions of the power of the Federal Government, and resist them on principle, are accused by the interventionists of condoning evil and lawlessness. The interventionists are full of zeal. They speak the language of emotion and touch human sensibilities deeply. Shall an abstract principle be upheld against a lynching? Shall a man-written law strike down the hand of the Federal Government when it reaches forth to overcome prejudice and protect people in their civil rights?

The President asked the Committee to consider how the Department of Justice might be provided with more tools. Before coming to the tools the Committee finds itself obliged to dispose of the fact that the Constitution gets in the way. The Committee says:

“The Constitution, as it came from the Philadelphia Convention in 1787, granted to Congress no express power to enact civil rights legislation of any kind. Moreover, the first ten amendments, which make up our Bill of Rights, far from granting any positive powers to the Federal Government, serve as express limitations upon it.”

But has the Supreme Court itself not said that the Constitution is a flexible document, subject to variable interpretations? Now, therefore, taking the Constitution to be that kind of document the Committee proceeds to read it for itself and it finds what it is looking for, namely, one clause that may be in-

terpreted to give the Federal Government this new power. The clause is this:

“*The United States shall guarantee to every state a republican form of government.*”

The Committee says:

“This phraseology is admittedly vague, and has had relatively little interpretation by the Supreme Court. But other vague clauses of the Constitution, such as the commerce clause or the due process of law clause, have lent themselves to broad interpretation. It is possible that guaranteeing ‘a republican form of government’ includes the power to protect essential civil rights against interference by public officers or private persons.”

If the Constitution has already been stretched to accommodate extensions of federal power, once by the *interstate commerce* clause and once by the *due process* clause, why not stretch it again for a laudable purpose by this *republican form of government* clause?

The Committee concludes, in view of its analysis of the possibilities, that federal legislation in support of civil liberty is “legitimate and well within the scope of the Constitution,” and furthermore, as a last resort, this new power that the Federal Government wants, if it cannot be derived directly from the Constitution, may be found in the law of treaties. Here is a nice point. The Constitution says that treaties with foreign governments shall have the status of “supreme law.” Has not the United States signed the United Nations Charter? And is the United Nations Charter not a treaty? Article 55, Paragraph c, of the United Nations Charter reads that the signatory nations shall promote—

“... universal respect for an observance of human rights and fundamental freedoms for all, without distinctions as to race, sex, language or religion.”

Assuming that the constitutional difficulties are reducible, there remains one serious obstacle to be overcome before the Federal Government can lay its hands upon the civil affairs of the states. That obstacle is the right of an accused person “to be tried by a jury of his peers in his own locality.”

“This right,” says the Committee, “has long been regarded as a cornerstone of our system of criminal justice, but—”

The Committee does not recite the fact that this right is the one guaranteed in Article VI of the Bill of Rights. It does not admit it *is* a cornerstone of our system of criminal justice, it says only that it has been so regarded for a long time—but! Then it proceeds to attack it.

In the first place this right of the accused to be tried by a jury of his neighbors has frustrated the Federal Government in the use of such limited power

as it now has to act through the Department of Justice in "civil rights cases," such as lynching and political acts of racial discrimination. For this frustration the Committee finds that:

"Two factors are responsible. One is that the victim in a typical civil rights case, the person who has been lynched or otherwise mistreated, often enjoys little or no standing in his own community. People whose civil rights are most in danger are very often members of weak and unpopular minorities. Sometimes they are as individuals weak, unattractive, and troublesome. All too frequently, members of juries in civil rights cases are prejudiced against the victim, and sympathetic toward the accused. Where this atmosphere exists, it is not easy to persuade juries to apply criminal sanctions."

As it now is, one who would appeal to the Federal Government for the protection of his civil rights must go to the nearest United States Attorney, who represents the Department of Justice in Washington, but, says the Committee:

"It should be remembered that these men [the United States Attorneys] are local lawyers appointed by the President, subject to confirmation by the Senate, for a term of four years. To them is entrusted the task of initiating proceedings where there has been a civil rights violation, and of prosecuting the actual cases. This often places the United States Attorney in the unenviable position of having to take a public stand in court against the ingrained prejudices and mores of his own community."

And even when the United States Attorney is courageous enough to act in the face of local prejudice, he finds the Constitution of the United States making trouble for him. It guarantees the accused person the right to a grand jury hearing first and then the right to a jury trial in his own locality. The difficulty is, says the Committee, that:

"These jury proceedings must be held in the state and district where the offense was committed. Accordingly, a federal criminal prosecution is not an undertaking in which an outside, impartial power weighs in the scales of justice a wrongful act done in a local community. Instead, federal prosecutors must persuade local citizens both to indict and to convict their fellows, often their neighbors and friends, if federal criminal laws are to be enforced and violations punished."

The Committee sets forth four principal reasons why the Federal Government now must intervene in local affairs, to keep order, to put down racial discrimination and to protect the citizen in his civil rights.

The first is that "the most serious wrongs against individual rights are committed by private persons or by local, public officers," who do often escape punishment because the actions are condoned by local prejudices.

The second is that:

"... it is a sound policy to use the idealism and prestige of our whole people to check the wayward tendencies of a part of them. . . . The local community must be encouraged to set its own house in order. But the need for leadership is pressing. That leadership is available in the national government and it should be used. We cannot afford to delay action until the most backward community has learned to prize civil liberty and has taken adequate steps to safeguard the rights of every one of its citizens."

The third is that:

"Our civil rights record has growing international implications. These cannot safely be disregarded by the government at the national level which is responsible for our relations with the world, and left entirely to government at the local level for proper recognition and action."

And the fourth is that:

"The steadily growing tendency in the American people to look to national government for the protection of their civil rights is highly significant."

And finally for those who yet cling to the American tradition of limited government it lays down this dictum:

"There is no essential conflict between freedom and government."

IV.

SO having settled it with the Constitution and having put local government in its place, the Committee proceeds to design what the President calls "the tools to do the job."

It recommends several subordinate tools, such, for example, as a federal law to say that one person alone, instead of two or more, may be guilty of a conspiracy to deprive persons of their civil rights, and a law to say that states failing to protect civil rights as the Federal Government thinks they ought to be protected shall be cut off from federal grants in aid, but principally one tool of such great power that the others seem unimportant.

This would be a tool of two edges described as follows: First, in the office of the President a permanent Civil Rights Commission with power to receive complaints, to hold hearings and to issue cease and desist orders against those who are found to be practicing discrimination; and then in the Department of Justice a Civil Rights Division with nine regional offices throughout the country.

These regional offices, says the Committee:

"... should serve as receiving points for complaints

arising in the area and as local centers of research investigation and preventive action."

They would make possible:

"... an increase in investigative action in the absence of complaints."

They would:

"... make it possible to undertake investigations of suspected civil rights violations, without waiting for the receipt of complaints. . . . These investigations in the absence of complaints could also be combined with educational and mediation efforts to check chronic incidents of police brutality and persistent interferences with the right to vote."

Here are certain words of significant meaning. The ideas they express have not hitherto been associated with the tradition of American government; regard them:

Investigative action in the absence of complaints.

Investigation of suspected civil rights violations without waiting for the receipt of complaints.

Investigations in the absence of complaints to check chronic incidents of police brutality.

Imagine what could happen. Agents representing the Civil Rights Commission in the office of the President, or the Division of Civil Rights in the Department of Justice, could enter your premises, not on anyone's complaint but upon *suspicion* that you were guilty of discrimination, ask to see your personnel records and say: "You are hiring too many of these and too few of those. What is this? Racial bias?"

They could ask to see your record of recent promotions and say: "Why did you promote that one and not this one? Can you prove that you were free of racial bias in this case?" Or an agent from one of the regional offices could enter the police premises of a city and say: "Last night a mob beat up a man who was clearly a victim of racial prejudice. What are you going to do about it? If you cannot guarantee that such things are not going to happen again, the Federal Government will have to keep order in this town."

Briefly, what the President's Committee on Civil Rights recommends is that in every state, city and county of the United States the Department of Justice at Washington shall have the power to act against all forms of racial and religious discrimination, on complaint or on *suspicion*, and the tool for that purpose shall be a Good Gestapo—G.G.

FOR STRONGER CIVIL RIGHTS ENFORCEMENT MACHINERY THE PRESIDENT'S COMMITTEE RECOMMENDS

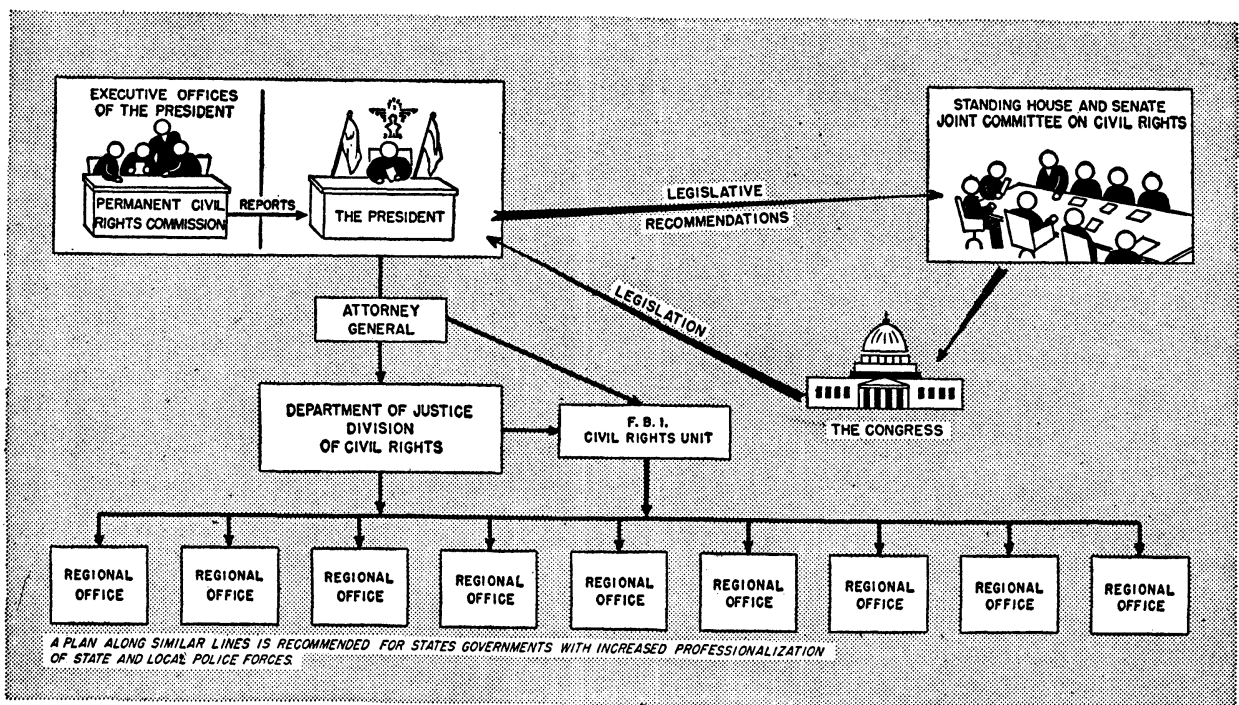


Chart from the Report of the President's Committee on Civil Rights

Let Government Set the Table

The Department of Agriculture Proposes To Subsidize a Rich Diet for Everybody

Washington Correspondence

I.

IN a series of six papers entitled, "A Long-range Policy of Abundance," recently laid before the committees on agriculture of the House and Senate, the Department of Agriculture announced that the idea of subsidizing scarcity was not the way to increase the farmer's share of the national income. That was the idea under which growing cotton was plowed down and little pigs were put to death for fear they would grow up and go to market. It had two serious demerits; namely, (1) people said the government was paying farmers not to produce, which was embarrassing because it was true, and (2) it didn't work. Killing the surplus and limiting production did cause prices to rise, but even so higher prices for less production did not in general give the farmer that share of the national income to which the government thought he was entitled.

The new idea is to subsidize abundance—primarily abundance, and scarcity only as it may be necessary.

In presenting its program to the House and Senate, the Department of Agriculture said:

"Since this over-all program involves a shift in our emphasis from our prewar program,* I should pause a minute to give you some of the reasoning we went through in deciding that this was the best way of supporting farm income. We know that by nature our farmers turn out a growing abundance of food and fiber, and that the only way we could curb that outpouring of plenty would be to resort to government controls over production and distribution of such magnitude that no segment of our economy would like them.

"We know, further, that putting chief emphasis on maintaining high unit prices defeats our own ends. During hard times, even if we were able to keep prices up by cutting production, farmers would not get parity of income. But if we concentrate on cutting costs through volume production and increasing efficiency on the one hand, and on boosting consumption on the other, we will thereby achieve in maximum degree that which we originally sought—good farm income."

Here are two euphemisms that undoubtedly cost the Department of Agriculture's division of semantics a great deal of thought. In the first paragraph

* Paper V. entitled, "Price Policy and Production Adjustment," by Carl C. Farrington.

our prewar program refers to the would-be-forgotten policy of plowing under the cotton, killing the little pigs and paying the farmers not to produce; and *boosting consumption* means to subsidize the consumption of food, as will appear.

Before coming to that it will be necessary to make it clear what the problem is. The problem is surplus still. It may seem like thinking of summer in time of winter to be talking now of agricultural surplus. Nevertheless if it is a long-range problem you are thinking of, the crucial problem is surplus. The farmer's propensity to produce is constant and incorrigible. And to that you now add the amazing increase of efficiency that has taken place on the farm in the last four years. "During the recent war," says the Department of Agriculture, "technology snowballed faster than ever. As the war ended farmers were using somewhat more than half again as many tractors as they had used before the war. They had doubled their use of fertilizer and increased the use of lime threefold. With improved crops, improved livestock and scientific methods of production they greatly increased the yield per acre." At the end of the war two men on the soil were producing as much as three men produced in the years before. For these reasons, says the Department of Agriculture, anything like a back-to-the-land movement would have disastrous results.

Well then, given (1) that for a long-range policy surplus is still the problem and (2) that our prewar program of subsidizing scarcity, that is, paying farmers not to produce, turned out not to be the solution, what now is the answer? What shall be done with the surplus?

The Department of Agriculture says: "Unless we believe our experiences with surpluses, human misery and soil destruction had no meaning, we must learn to live with abundance."

But how shall we contrive to live with abundance? That is the question. And the answer is one you may have already guessed. The answer is to subsidize consumption.

Since the government now maintains a floor under so many things—a floor under wages, a floor under prices, a floor under employment and a floor under human misery in the form of social security—why not a floor under the national con-

sumption of food, that is to say, a minimum quantity of food of the best quality on every family's table guaranteed by the government? The point is logical. The Department of Agriculture says:

"We take our starting point in the goal of providing our consumers with the amount of agricultural products which they want, limited only by the capacity of agriculture to produce on a sustained and economic basis. That has put first emphasis on maintaining a strong demand and thereby keeping farm prices—and, more important, farm income—at a good level. These aids to demand consist of a food allotment program which would put a floor under the food purchasing power of our entire population; of special programs to improve the diets of the more vulnerable groups in our population—particularly, school children; of machinery for direct purchase and distribution to remove seasonal and otherwise unmanageable food surpluses; of encouragement to industrial utilization of surpluses, culls and by-products; along with various aids to improve food distribution through research, services, and education."

The idea of food allotment is not entirely new. It has been tried in a limited way. Under that head would come the national school lunch program already supported by the government. But the idea of food allotment to sustain food consumption at a minimum national level at all times is a great advance. The Department of Agriculture says:

"Though the school lunch program, the direct purchase program, and other available aids might be adequate to handle surpluses during periods of high employment and high national income, they would not be sufficient should employment and income fall off substantially. Furthermore, if we are sincere in our attempts to aid in maintaining a minimum level of nutrition for all our people, we must face the fact that even in good times such as we are now experiencing there are several million families in this nation who are unable to purchase adequate diets.

"To attack these twin problems the Department favors the establishment of a food allotment program. The Bill, S.131, introduced in the Senate by Senator Aiken of Vermont—and with which I am sure you are familiar—outlines the type of program of which we are thinking. Such a program would attempt to provide low income families with the food necessary for an adequate diet at reduced prices, using coupons redeemable in retail food stores similar to the system used in the old stamp plan."

Now, as to what shall be considered an optimum level of food consumption, that is to say the floor—how shall it be determined? For that purpose there is a statistical formula. The Department of Agriculture has prepared a table entitled "Consumption Per Capita in the United States Historically and as a Future Objective." The novel feature of this table is that it shows for a given year the average per

capita consumption of food in contrast with what the high income people eat. The high income people, of course, eat more than the average amount of meat, sugar, fresh vegetables, fresh fruits, turkeys, butter, eggs, etc., and fewer potatoes, potatoes being very heavy in the diet of the poor. The rest is easy. The "objective," the floor, the optimum level, the subsidized table—or whatever you should like to call it—shall be such as to enable everybody to eat as well as only the high income people have eaten historically.

Yet Abundance Must Be Controlled

But for all of that, even with food consumption subsidized by the government on a high level, still you could trust agriculture to get itself into serious trouble if it were left free. It might produce too much again and not know what to do with the surplus; or it might find itself hopelessly involved again with that old agricultural Satan named the competitive price. Therefore it will not be possible for the Department of Agriculture to release any of the controls hitherto imposed upon agriculture for its own protection—the control of prices, the control of marketing, etc. On the contrary, all of the mechanisms will have to be strengthened. It says:

"Though this floor under demand would in itself support farm prices, we would also need more direct governmental price supports at a moderate level to give farmers needed price assurance. We would also need a program of government loans and an ever-normal granary. We would need a strong program of production goals, aided by adjustable price supports, so that agricultural production can be adjusted to changing demands as rapidly as possible. And though we would expect them to be generally inoperative, we would need authority to use acreage allotments and marketing quotas to meet emergencies for individual commodities. . . .

"In spite of our best efforts to support consumption, we know that the demand for individual farm products will fluctuate. Indeed, some fluctuation in demand is necessary if consumers are to register their preferences and if prices are to be of assistance in channeling farmers' efforts into the production of most needed commodities. But we have found through sad experience that prices alone do not sufficiently regulate production. Certain government assistance is needed."

So, to control production a system of "acreage allotments and marketing quotas" as before, only more, the Department of Agriculture saying:

"We will also need to have available acreage allotments and marketing quotas. Under the Agricultural Adjustment Act of 1938, they now apply to cotton,

corn, tobacco, wheat, rice, and peanuts. My committee recommends that marketing quota machinery be provided for *all* agricultural commodities. This would make quotas available whenever conditions make their use necessary and when it is determined that they can be applied in a practical manner."

And to control distribution, "marketing agreements and orders" as before, only more:

"Public Law 305 passed by the recent session of this Congress takes care of most of the needed changes in the system of marketing agreements and orders. However, we recommend that the provisions of this Act be extended to *all* agricultural commodities. Such agreements and orders can do much to stabilize marketing, insure an adequate supply to consumers and protect farm income."

In the two quotes above, the little word *all* is italicized by liberty. It is a necessary emphasis. It means that in the *Federal Register* such notices as this:

"Order. (1) The quantity of lemons grown in the State of California or in the State of Arizona which may be handled during the period beginning at 12:01 A.M., P.S.T., October 19, 1947, and ending at 12:01 A.M., P.S.T., October 26, 1947, is hereby fixed at 225 carloads, or an equivalent quantity."

or this:

"Order. (1) The quantity of oranges grown in the State of California or in the State of Arizona which may be handled during the period beginning at 12:01 A.M., P.S.T., October 19, 1947, and ending at 12:01 A.M., P.S.T., October 26, 1947, is hereby fixed as follows:

"(i) *Valencia oranges*. (a) Prorate District No. 1, unlimited movement; (b) Prorate District No. 2, 1700 carloads; and (c) Prorate District No. 3, unlimited movement.

"(ii) *Oranges other than Valencia oranges*. (a) Prorate Districts Nos. 1, 2, and 3, no movement."

may be expected to appear for *all* crops when and if in the opinion of the Department of Agriculture they are necessary. All such marketing agreements, of course, are in effect cartels administered by the government.

And then, finally, a continuation of the policy of directly supporting agriculture prices whenever necessary by a new parity formula. On this, the Department of Agriculture says:

"Price supports in the form of nonrecourse loans and purchases have proven to be an effective, and generally popular, means of improving farm prices, influencing production and, in the case of storable commodities, accumulating reserve stocks which have been of great value in times of war and crop disaster. They deserve

an important place in any well-rounded farm program. But if used unwisely they could seriously disrupt our economy. . . .

"The minimum support level should be considerably below the general level of prices sought to be achieved over a period of years. This would allow price to influence the allocation of resources among different commodities and bring about basic shifts in the pattern of production. However, there should be discretionary power to establish price supports of any commodity above the mandatory level in order to encourage needed production shifts and better meet the basic food needs of our people."

Machinery of Administration

To administer this program the Department of Agriculture proposes to set up a great system of committees—in every county a United States Department of Agriculture county committee, and in every state a United States Department of Agriculture state committee to coordinate the county committees; and then in Washington a new Assistant Secretary of Agriculture to mind the work of all committees. Paper VI by the Secretary of Agriculture was devoted to administration. Mr. Anderson said:

"The county committees should be democratically elected by the farmers of the county. These committees should be not merely advisory or coordinating groups but would have specific responsibilities which would make them effective in attaining coordination. . . .

"The proposed new USDA State Committee would be the connecting two-way link between the county committees and the Department of Agriculture. It would act as the state committee for the various federal agencies carrying on programs in the state. We suggest a committee made up of five farmers, the State Secretary or Commissioner of Agriculture, and a representative of the Land-Grant College. The farmer members might be either appointed by the Secretary of Agriculture or elected by county committees, or perhaps a combination of the two methods of choice might be used. The committee would need an executive officer or secretary, who should be appointed by the Secretary with the concurrence of the committee. . . .

"Although we face many problems as the result of our increasing agricultural efficiency, we do have the opportunity to meet those problems and, by so doing, to advance the welfare of both farm and city people immeasurably. . . .

"As we go forward in this task, let us remember that farm purchasing power is chronically low. Much is being said about the wealth which came to agriculture during the war. It is true that in agriculture, as in many other businesses, many people have made a

great deal of money during the period of big demand and high prices. But many other people have shared only to a very small extent in the prosperity."

II.

THE Aiken Bill, endorsed above by the Department of Agriculture, was introduced last year by Senator Aiken of Vermont and referred to the Committee on Agriculture and Forestry, which has not yet reported on it. It is a bill to provide every person in the nation with "the means of obtaining sufficient food for an adequate diet." There shall be a National Food Allotment Program, and the "basic allotment" shall be the following amounts of food per person, per week:

"Milk, or its equivalent in cheese, evaporated milk, or dry milk—five and one-quarter quarts.

"Potatoes and sweet potatoes—three pounds, seven ounces.

"Dry beans, peas, and nuts—eight ounces.

"Tomatoes and citrus fruits—one pound, ten ounces.

"Green or yellow vegetables, such as green cabbage, kale, snap beans, and carrots—one pound, nine ounces.

"Other vegetables and fruit—two pounds, six ounces.

"Eggs—four (number of eggs).

"Meat, poultry, and fish—one pound, twelve ounces.

"Flour and cereals—four pounds, four ounces (enriched or whole grain).

"Fats and oils—fourteen ounces.

"Sugars, sirups, and preserves—eleven ounces."

The Secretary of Agriculture may change the national diet from time to time, "in view of the new research in nutrition." But he shall see to it that every person gets enough food of the right kind, quantities and categories to be determined.

The Food Allotment Program will be worked with food coupons. The coupons will be sold at a discount and the amount of discount shall be suited to the economic condition of each household, as the Secretary of Agriculture may determine. Thus: When a household applies for food coupons it shall submit a statement of (1) its total income and (2) the number of persons at the table. Looking at this statement—not through his own eyes of course but through the eyes of a statistical machine—the Secretary of Agriculture will see by its income what the household can afford to spend for food, and from the number of persons at its table how much it ought to spend. The difference between what it can *afford* to spend and what it *ought* to spend for an adequate legal diet will be the amount of discount on the food coupons. If the household can afford to spend only 75 cents where it ought to

spend a dollar, the Secretary of Agriculture will sell it a one-dollar coupon for 75 cents. The housewife will take this one-dollar coupon to the grocer and buy one dollar's worth of food. The grocer will take that coupon to the nearest bank and get his dollar. The bank will send it to the United States Treasury and get its dollar back. Since the United States Treasury has sold the coupon in the first place for 75 cents and now redeems it for one dollar, it is out of pocket 25 cents. This loss is made good out of the public funds and the Treasury's books are balanced.

To the household that cannot afford to spend anything for food, or hardly anything, the Secretary of Agriculture may issue free coupons. The course of the free coupon is the same as that of the other. The family exchanges it at face value for food, the food merchant cashes it at the bank and the bank sends it to the United States Treasury.

The discretionary powers of the Secretary of Agriculture will be very great, within the mandate only that he shall set the national table with plenty of wholesome food and see that the tables of the poor are as well set as those of the rich. He may "vary the value of free coupons issued to households of different income and composition according to the same criteria used in fixing the purchase price of coupons sold." Moreover he must himself act as a prudent and thoughtful housewife going to market, buying more of that which is plentiful and less of that which is scarce. Here the bill reads that:

"In order that the increased food consumption resulting from the administration of this act may be concentrated, insofar as practicable, upon those foods which are in surplus, or upon those foods which are most needed in diets, the Secretary may (1) require that each household to whom food-allotment coupons are issued use not more than 33½ per centum in face value of such coupons to buy specifically designated foods, or to buy any one of a group of foods, or (2) include with food-allotment coupons sold other such coupons which from time to time may be used in exchange for specifically designated foods."

To administer this Food Allotment Program the Secretary of Agriculture may use all of the Federal Government's regional or state agencies that now exist and create new ones when and if necessary. What will it cost? As to that the bill says simply: "There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this act."

The purpose first named in the bill is "to safeguard the health, efficiency and morale of the American people"; the purpose last named is to assist in maintaining fair prices and incomes to farmers by providing adequate outlets of agricultural products."

The Fine Print That Wasn't There

Washington, D. C.

EVERYBODY is supposed to know the rule that you must read the fine print before signing a contract, especially when you are dealing with a large insurance corporation. But if you are buying insurance from the government you may be bound by fine print that you couldn't have read in the contract because it was somewhere else, and the Supreme Court has ruled that if neither you nor the government's agent knew where it was or that it existed at all the government wins and you lose. It is an actual case. Two Idaho farmers applied to the county agent of the Federal Crop Insurance Corporation for insurance on some four hundred acres of reseeded spring wheat where winter seed had failed.

All the facts were correctly stated. The government's agent issued the policy. The crop failed. When the farmer's claim came to Washington, however, the Federal Crop Insurance Corporation refused to pay it on the ground that it had published in the *Federal Register*, in fine print, a regulation saying that reseeded wheat that year was not insurable. Its county agent who sold the policy had never seen the regulation; and neither of course had the farmers. They brought suit in the state court and got a judgment, the state court saying that in such a case a private insurance company would be legally liable and by the same rule of law the Federal Crop Insurance Corporation was liable.

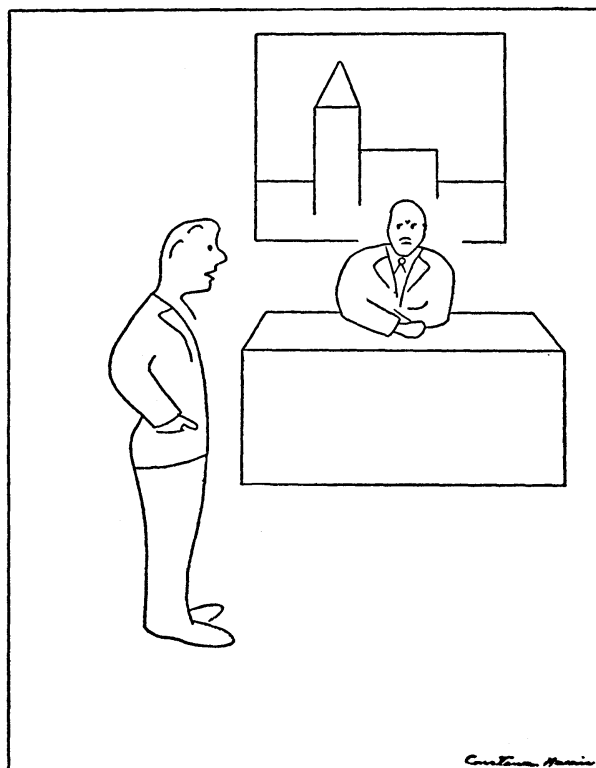
The Federal Crop Insurance Corporation still refused to pay and appealed to the United States Supreme Court, which decided in its favor and against the farmers on the ground that an agency of the government can make its own rules and regulations and that its own rules and regulations, once having appeared in the *Federal Register* are legal and final whether its own agent ever heard of them or not.

That was the opinion of the majority of the court. Mr. Justice Jackson wrote an acid dissent saying:

"To my mind, it is an absurdity to hold that every farmer who insures his crops knows what the *Federal Register* contains or even knows that there is such a publication. If he were to peruse this voluminous and dull publication as it is issued from time to time in order to make sure whether anything has been promulgated that affects his rights, he would never need crop insurance, for he would never get time to plant any crops. Nor am I convinced that a reading of technically worded regulations would enlighten him much in any event.

"In this case, the government entered a field which required the issuance of large numbers of insurance policies to people engaged in agriculture. It could not expect them to be lawyers, except in rare instances, and one should not be expected to have to employ a lawyer to see whether his own government is issuing him a policy which in case of loss would turn out to be no policy at all. There was no fraud or concealment, and those who represented the government in taking on the risk apparently no more suspected the existence of a hidden regulation that would render the contract void than did the policyholder. It is very well to say that those who deal with the government should turn square corners. But there is no reason why the square corners should constitute a one-way street."

The *Federal Register* issued daily except on Sunday, Monday and holidays, is the publication in which the executive agencies of government print all their rules and regulations, these rules and regulations having the force of law. It runs from 35 to 100 pages and you can get it from the Superintendent of Public Documents in Washington for \$15.00 a year. If you are doing business with the government, or if the government in any way touches your business, you ought to read it very carefully every day and you can do it in perhaps two hours.



"My wife says for you to reduce my salary. She wants us to live in one of those government-built apartments."

Equal Distribution of Poverty

By M. J. Bonn

Two years ago Dr. Bonn returned to Great Britain. Recently the editor of American Affairs wrote to him suggesting that on the existing data of experience in Europe it ought now to be possible to answer in a definite way this simple question: Can Socialism Be Creative? What came of it was the fine essay that follows. The answer is in the last line—Editor.

I.

The Dream of Plenty

MODERN Socialism stands for plenty all round. It assumes that the capitalist system has succeeded on its technical side in establishing man's control over nature, but that its vicious social structure has pauperized the masses, who cannot consume the output which the capitalist mechanism is bound to pour out under the incessant pressure of competition. Hence the ever-recurring crises with their socially devastating consequences, the intensity of which is increasing all the time. Though capitalism is capable of creating huge wealth by the ruthless exploitation of the masses, it can neither distribute it properly, nor in the long run, go on increasing it. For in order to maintain itself it must become monopolist, limit its output and rid itself of competition. Once it has reached this stage it can no longer solve even its mere technical task of devising new methods for raising production. Socialism is bound to step in. It breaks the shackles monopolist capitalism has imposed on production and progress and, having taken over the means of production from the exploiting class, it sets free the flow of goods and is establishing the realm of plenty for everybody. The advent of this glorious age can be left perhaps to the automatic working of economic forces, which are relentlessly moving toward this preordained goal. But it can be speeded up by external contributory causes, among them foreign wars.

When Marx and Engels had found out that the collapse of capitalism was not as near as they hoped for in the Communist Manifesto, they eagerly scanned the horizon for events which might accelerate it. They greeted the prospect of every war with great expectations, since its results were bound to shake the existing social fabric, certainly among the losers. In this respect they were right. War

has indeed been kind to the socialists. The Franco-German war ended on the French side with the colorful outburst of the "Commune," the glory of which has become one of the great socialist myths. The First World War overthrew Europe's three conservative empires. It did even more for socialism. Total war provided it with the mechanism for carrying out centralized dictatorial economic planning. This type of planning was developed in Germany, not in Soviet Russia. By price fixing, rationing, priority and delivery quota, a controlled economic mechanism had been fashioned during the war. "Why," asked the socialist theorist, "can't we continue in peace what we have done in war? In war we plan to produce the utmost. In peace let us plan for plenty."

But war has not been partial to socialism in every respect. The scarcity it caused made coercive economics inevitable; it confronted socialists at the same time with a problem the previous satisfactory solution of which they had always assumed: *how to create wealth*. They had always seen their main task in the just distribution and effective use of wealth accumulated by capitalists. But total war had emptied the national larder, its wear and tear had physically depreciated the entire mechanism of production. The nation's physical wealth had been greatly diminished; it had to be reconstituted before it could be redistributed. The German Socialists were faced by this tragic dilemma: The loss of the war had bought them to power in November, 1918. But they had to restart production before they could hope to nationalize it. They had always expected to take over a smoothly functioning production mechanism from the capitalists; now they had to repair and rebuild it before it could properly function. They came to the conclusion that they were not equal to this task. They let the capitalists do the job, hoping that later on they could take over. War had given them their political chance and at the same time deprived them of the long-looked-for economic opportunity. *They could only distribute plenty. They could not create it.*

II.

Dictatorial Socialism

THE Russia which had fallen into the hands of the Bolsheviks was a devastated undeveloped country which had never been capitalist. They transformed

it with ruthless energy. They collectivized and intensified agricultural production through two agrarian revolutions; they compressed an industrial revolution within barely 25 years, in the course of which they urbanized a hitherto backward peasant population.

It may be conceded to them that private capitalism could not have transformed the country by its regular technique within the same shortish period; no private capitalist regime would have dared to use such ruthless methods, oblivious to the sufferings of millions of human beings. The horrors of the industrial revolution in England, against the somber background of which Karl Marx projected his anti-capitalist system, pall when compared to the sacrifices the Stalin revolutions have entailed.

The Soviets have achieved the industrialization of a backward, underpopulated country with immense natural resources. Their progress has been that of a colonial country with large virgin lands. Yet they have never caught up with shortages. Their actual accomplishments merely show that coercion intelligently conceived and purposefully applied to a population accustomed to being ordered about can erect all sorts of structures and manufacture all types of equipment for which adequate blueprints are available. The building of the pyramids thousands of years ago had already demonstrated what could be done by a dictatorial government, using forced labor.

III.

Nationalization

THE British Labor Government was not as disillusioned as its German colleagues had been in 1918. To begin with, the British had won a war. What was more important, Labor had just won an election and had secured a huge parliamentary majority. Its leaders had not the courage to tell their followers in a language they could understand—not the English of Whitehall White Books—that England had emerged from the war a poor country, that they would have to remake the wealth their capitalist forebears had created and which the war had eaten up before they could share it out. They concentrated their hopes on the nationalization of basic industries.

Nationalization is not really a Socialist discovery. Conservative and liberal governments in many parts of the world had nationalized monopolist industries long ago for very different reasons. In the sixties of the last century Mr. Gladstone, who was at that time the embodiment of Manchester Liberalism, had suggested to Lord Palmerston the nationalization of the British railways with a view to getting

low uniform rates of transportation. Prince Bismarck, whom few socialists would place among their saints, had actually nationalized the Prussian lines and had secured a regular revenue for the Prussian Government. For generations the British had looked upon the State as the people's enemy until they discovered, under the guidance of the Fabians, that a State controlled by a democratic majority could be used. With the zeal of all recent converts, for to them Marxism is a novelty, they have swung round and see in nationalization a symbol of freedom.

It is understandable why workers in industries where tension was high wanted to get rid of their masters. Even in the best-run trades, where wages and working hours were settled amicably, the fact remained that there was a boss who ordered the men about. The larger the scale of the enterprise, the more impersonal relations had become, the more they could be represented to the men as "wage slavery." Were the private boss to be eliminated and the State to take his place, this feeling of serfdom would vanish. For the former serf, in his quality as voter, would be the boss of the State.

To the average coal miner, however, nationalization has been a disappointment. He has exchanged a local boss whom he may have disliked but whom he knew, for a distant authority which is not flesh and blood. Though not a syndicalist by training, he is one by sentiment. He expected to become the owner of the mines when the State took over, not the servant of an absolute State. A socialist government must find it hard to draw from nationalization the benefits a bourgeois government could gain. It will be unable to get an income from nationalized plants for relief of the taxpayer, since the employees will clamor for higher wages, and consumers will insist on lower prices. Between the two groups profits formerly made by private enterprise will be swallowed up. The government may have to bear the loss and to pay subsidies to processing industries, which cannot afford to buy raw materials from nationalized plants at inflated prices. Nationalization which does not raise output or lower costs does not contribute to a nation's wealth.

IV.

Austerity

THE British Socialist government has to turn a deficit into a surplus economy. It has not only to deal with a foreign, more or less frozen, war debt of about \$12 billion; it has kept its system going by spending the billions borrowed in the United States and Canada. It now must balance its economic budget, knowing that by its very structure Great

Britain cannot become self-contained and must rely on trade.

The war, however, has provided labor with an instrument which can bring immediate results and appeals to the love of coercion which animates all planners and all Socialists. Under present conditions every government would have been forced to maintain many controls. But all non-Socialists—with the exception of certain conservative groups who love planning for planning's sake as much as the Socialists—know that while austerity may be a necessary expedient it is not a constructive policy. Nations as well as individuals have occasionally to go in for slimming. But austerity opens the one field where a Socialist government can show its adherence to egalitarian principles. It cannot bring about equality of plenty, but it can enforce equality of sacrifices. If this "equality" hits sometimes harder the members of hitherto privileged groups, so much the better; this appeals to the envy which is one of the unlovable motives of nearly all leveling policies.

Austerity based on ceilings, rationing, priorities and quota deliveries moreover enables the government to continue the use of the authoritative mechanism war needs had developed. Present-day British socialism is based on war legislation, the several Defence Of the Realm Acts, abbreviated as in D.O.R.A. It is "Dora" with a phrygian bonnet and a few scarlet trimmings. It is not Marxist socialism, but it has quite a respectable socialist pedigree.

Nearly a hundred and fifty years ago an ascetic German philosopher, Fichte, drew a picture of a coercive economic system in a book called "The Closed Commercial State." He held spartan views on luxury and constructed his pattern of a self-sufficient state on the assumption that equality could be best reached by austerity, and that austerity could be best enforced through equality. His influence on the Socialist movements of the world has been small. But whenever Socialist regimes got into trouble, when the cows in the promised land refused to be milked, and the bees went on strike and would not furnish honey, they were apt to discover that plenty was after all a bourgeois idol which class-conscious proletarians should despise. The Soviets have done this repeatedly when the promised targets could not be reached. There can be no doubt that egalitarian allocation of "doing without" is relatively easy to enforce. Its only valiant opponent is the black market. But it does not fulfill the promise which made millions flock to socialism. They want plenty and they want it "in our own time." Even the hope that those whom they once considered their betters may get even less, will not overcome their disappointment. Austerity may be a virtue, but it is a negative one. It cannot create plenty. As long as the

physical volume of the national output is insufficient to cover essential wants, reducing the rate of consumption may decrease the deficit; it cannot turn it into a surplus.

V.

Wages and Output

THIS situation places a Socialist government on the horns of a dilemma. It has not been put in power to make its voters work longer hours or with greater intensity; yet it has to speed them up. Apart from coercion and exhortation—the one obviously distasteful to a free democracy, the other rather futile—there is only one way of doing it; and that is recourse to the price system through the medium of wages.

The labor theory of value on which Marxist economics are based has long ago been discarded. But the masses have retained it. They have been taught that the amount of physical labor embodied in commodities determines their value; as their wages are only part of the market price whilst the difference goes to the enterpriser-capitalist, they clearly have been robbed. This wrong can be remedied somewhat by reducing effort and with it output.

Syndicalists have deliberately and persistently advocated this policy. But the average British trade unionist is neither a syndicalist nor even a Marxist, though he may vote a Socialist ticket. By concentrating on collective bargaining, he has secured higher wages and shorter working hours; in many instances he has succeeded in getting rid of piece-work. He remembers too well that "incentives" which made him increase his efforts did not result in permanently higher pay checks, for task rates were from time to time increased or piece rates were reduced. He is not inclined to reverse his method at a time when his representatives control a government, which got into power by announcing the beginning of the millenium. By going slow and taking it easy, he saves his strength, he reduces what Marxists call the rate of exploitation and he diminishes, so he thinks, the risks of unemployment. The shorter the working hours and the smaller the output, the greater is the demand for workers needed for turning out a definite quantum of goods. Whenever goods had been plentiful, especially in coal-mining, labor had become redundant. The miners remember the terrible crisis years; they are going to see to it that they do not recur. They hold the price system responsible for it, for as prices declined wages followed and unemployment appeared. They see little reason why they should make special efforts to change the favorable situation of scarce

labor and upset it by greater output. Shorter working hours, not offset by an increased per-hour man output will prolong it indefinitely.

Under the existing fairly efficient rationing system, bolstered by food subsidies reaching about \$1,600 million a year, organized labor is better off than it ever has been—especially when it compares its position with that of the so-called middle-class. Nearly all its customary wants are adequately provided for—beer of course is rather weak; it enjoys social benefits it never had before, ample leisure and security such as it had never even dreamt of. It has moreover a good deal of loose cash which cannot be spent on (non-obtainable) additional goods; it goes instead into amusement services which do not contribute to the output of physical goods. Workers are not even encouraged to buy their houses, since nearly all new working class houses are built by public bodies who rent, but do not sell them.

It has been pointed out often enough that £7 billion of income chases £6 billion of goods. This being the case, there is little incentive to get more money either by putting in extra hours of work or by increasing productivity. Wages are rising anyhow not because of the workers' desire to get more and better goods, but because goods are scarce; the plethora of money drives up prices and compels wage earners to ask for higher wages in order to maintain the equilibrium of their established budgets. A wage rise which is not cancelled out by higher costs of living might very well contract rather than increase output. There is little reason why miners should spend five days underground when they can make enough in $4\frac{1}{2}$ days to satisfy their wants. In summer, certainly, a little more leisure is preferable to a little more cash, which cannot buy goods anyhow. Until the government succeeds in correlating wage increases to increased output, plenty cannot be secured.

In theory the opposite method might work. Were workers to get less money per hour or per shift, they would have to work harder to get the accustomed home-take or they would have less to spend. This might not immediately raise total output, but it would reduce working-class money income, lessen the demand for luxury goods or mass luxury services, and by forcing into productive industries the providers of these services, increase labor supply; finally a lower price level might result. But no Socialist government can pursue this policy. Organized labor clings to the level of its money wages; it will not let it go down, not even in a depression when real wages have risen correspondingly through a fall of prices. In a short labor market a policy of wage reduction cannot succeed. An indirect attempt at it is being made by rationing; reductions may become sufficiently severe to result in a lowering of the

standard of living, but this will not stimulate production; it tends, rather, to keep it down.

VI.

Price Pressure

AN attempt at raising production might be made from the monetary side. A well-balanced budget would have to cut \$1,600 million food subsidies. Rising costs of living would siphon off a certain amount of redundant money, contract labor's purchasing power and induce it to greater efforts. A reduction at the same time of government spending on investment to the limit of the nation's actual saving would lessen the demand for capital goods and for the labor supplying them. Labor would not be in a position to offset higher costs of living by higher wage demands. It would have to increase output in order to maintain its real income; by and by the level of prices might fall, labor costs would decline, whilst money wages would remain unchanged. The temporary rise in the cost of living would curtail the amount of money spent on mass luxury industries, and those employed in offering them would have to search for other occupations. The prevailing scarcity of labor would be offset by its greater productivity, bottlenecks would be broken, and with more goods coming on the market, incentives for additional income would stimulate further efforts. This policy demands a great deal of courage; it involves a sort of deflation. Organized labor would oppose it; it has instinctively become inflationist since it can catch up with price rises by wage rises. They do not really fear a mild inflation. It makes possible cheap money. Cheap money they think means better employment and new enterprises. It expropriates moreover to some degree the nonworking capitalists. The money needed for financing the production of capital goods they believe is not the result of saving—or, in Socialist lingo, of the exploitation of the working class—but the painless creation of money by banks and government. Deflation means a return to reality from fiction. By deferring too long inflation may end in a very bad hang-over after a mad carouse and lead as it did the last time, when a halt was not called early enough, to terrible unemployment. This time it cannot happen in the same way. There are no huge piles of goods stacked up for which there is no demand. But unemployment on a very large scale can occur when exports are no longer sufficient to pay for raw materials. The last winter has shown that coal shortage can create as much unemployment in a world of scarcity as overproduction in one of plenty.

VII.

Priority Pressure

OUTSIDE agriculture British socialism has declined to use the price mechanism as stimulant to workers. It has applied it to farmers and has offered them stable remunerative prices; they have reacted and have raised output considerably. Price policy may not always favor the most suitable crop, but within this limitation it has worked successfully.

On the other hand the government has refused to follow the Russian example of direct coercion. It has done a good deal of exhortation, but has found that this tender seed does not sprout luxuriantly in the stony soil of sectional class egotism; it needs the high temperature of war passion to germinate at all. By now the government is looking for a new pressure method distinct from the hated price-mechanism of capitalist days. It has managed to find it in another of "Dora's" babes: priorities. Essential scarce raw materials are to be allocated to different branches of industry, and to individual concerns, but according to an urgency schedule.

Priority pressure is to do the work of price pressure. Priority spells exports. By directing steel toward export industries the balance of trade will be improved. Scarce capital will not be wasted on financing amenities for the home market. Industries will either switch over to exports or shut down. The labor they will have to dismiss will automatically shift to priority plants. In this way the priority mechanism will replace the price mechanism. By a subsidiary measure, workers who are either unemployed or employed in what might be called parasite industries can be openly directed—with a good many safeguards—to more desirable industries.

But all this does not create plenty. It merely means a better physical structure of the national income, a larger part of which will consist of essential goods. There is moreover no certainty that this switch over and the resulting redistribution of labor will make labor more productive and increase total output. There is a good deal of opposition against redirection and it is very doubtful whether regimented labor is willing to make great additional efforts.

By its very doctrinal structure, Marxist socialism is interested mainly in the production side of goods. It underestimates the role of the entrepreneur as

distinct from the capitalist; it seems to assume that goods sell themselves, and that business is mere administration. This is true to a limited degree in an undersupplied home market, closed to foreign competition. It is true, too, temporarily of a seller's market abroad. When this comes to an end quality and costs will again play their part. A dictatorial regime can probably guarantee quality at home, but not adequate prices abroad. Regimented industries will have to sell at competitive prices and they may have to do so at a loss, when home costs of production are too high. The loss can be thrown on the home consumers through dumping or on the national tax payer through subsidies. But all this does not turn scarcity into plenty. As long as labor believes that rising wages and shorter working hours need not be offset by more intensive efforts, labor costs will be high and the nation's competitive strength will be low.

VIII.

Conclusion

IT will be a long time yet before British labor is ready to recognize that its Socialist government cannot create plenty. If some of the government's measures do immediately relieve the tense situation, hope will revive that they may turn the trick after all if only external situations become a little more favorable. One section of the labor party is moreover so convinced of the truth of the Socialist gospel, that it will try and fight the failures of socialism by more radical socialism.

There is little doubt that Sir Stafford Cripps possesses the courage and the will to go to the bitter end. If his mild attempts at coercion will not work, he will increase the dose. He and the relatively small group thoroughly impregnated with Socialist doctrines will not throw up the sponge on account of partial want of success. The bulk of the party will become more and more uneasy, yet it will be hard for them to realize that their doctrines cannot be made to work except by Russian methods.

It would be a great pity were the Socialist Labor Party to be released from power and responsibility before a majority of its followers has learnt the lesson that leisure is the reward of plenty and plenty the result of work.

THE wage earner relies for work upon the ventures of confident and contented capital. This failing him, his condition is without alleviation, for he can neither prey on the misfortunes of others nor hoard his labor.—*Grover Cleveland in a message to Congress, August 8, 1893.*

Social Gains in Great Britain

Official

THE Economist, London, says the trouble in Great Britain is not a fallen state of production, since production in 1947 was 10 to 20 per cent higher than in 1938. The trouble is that vast new burdens have been laid upon production, not the least of which is the burden of new welfare measures, generally called social gains, beyond anything hitherto undertaken by the state. The following catalog of these social gains, under a foreword about the new way of life thereby coming to pass, is from an official document entitled "Report on Britain," issued in this country by the British Information Services, an agency of the British Government.

Foreword

TWO contradictory forces are working themselves out in Britain today. On the one hand, the urge to create a new and better Britain has found expression in a multitude of new plans and a release of constructive effort that is carrying the country forward to a much higher level than was generally prevalent before the war. Contending against this is the exhaustion that has flowed from the war, an exhaustion that includes not only a drastic loss of economic assets but also a physical weariness and, with some, a tiredness of the spirit.

Only by recognizing these two conflicting elements in modern Britain can one make sense of the apparent contradictions that one finds there today. The newspaper headlines tell of the great economic crisis that has befallen Britain; of critical dollar losses, emergency measures to bridge the gap between imports and exports, the lack of sufficient production, cuts in meager food and clothing rations, abolition of private motoring and foreign travel, longer working hours and labor controls to ensure that everybody is working. With this evidence alone, plus the stories of increasing emigration, one would assume that Britain's outlook was indeed gloomy.

But this is a very small part of the picture. It ignores the . . . creative planning that is shaping Britain's future even while she is struggling to maintain herself during these fateful years. Some of this planning has an economic flavor: Britain is determined to achieve much higher output per man, closer concentration on essential economic targets, more mechanization and planned mass production of the type found in the United States. But side by side with this economic endeavor go the great experiments in social welfare—health, nutrition, education, and social security—that have already opened new horizons to the ordinary people of Britain. It is with these weapons—hard work, economic freedom, social betterment, and personal liberty—that Britain hopes to build a new world.

The setbacks are bound to be serious. They are arising and will continue to arise as much from psychological as from purely economic causes, and as much from the world-wide crisis as from Britain's own losses during the war. At the present time, the setbacks seem to have come into the ascendant. They are being met with new courage and sacrifice, for the stakes are high. Britain believes that if the present troubles both at home and abroad are quickly relieved, she can go on to make a special contribution to world progress in terms of a society and way of life that will be truly valuable to mankind.

Advances in Social Welfare

Within the last few years, Britain has carried through a revolution in its planning for the social security, health, education and social welfare of all its citizens. The *Beveridge Report*, which was published and endorsed by the Coalition Government in 1943, has been carried into law in all its main points, and in some respects even exceeded.

Under the *National Insurance Act*, which was enacted in August, 1946, every person in Britain has complete social security "from the cradle to the grave." This is carried out on a compulsory insurance basis, the funds being provided partly by everyone who earns or receives an income, partly by employers, and partly by the state. Ordinary contributors will pay a single weekly contribution when the plan begins working in July, 1948; and the benefits—available to all contributors and their dependents—will include unemployment pay, sickness pay, maternity and widows' benefits, guardians' allowances (for orphans), retirement pensions, and death grants. Where insurance cannot operate, the state will undertake to meet the costs of special benefits out of taxation, so that none of the population will ever be allowed to fall below an adequate standard of subsistence.

As part of the same plan, small additional contributions will be levied for industrial workers, and

this will insure everyone, on a compulsory basis, for temporary benefits or permanent pensions to meet every type of industrial injury.

Under a separate but related act, passed in May, 1945, children's allowances are now paid to everyone in Britain, starting with the second child. The cost is met by the Treasury.

The single weekly contribution paid under the *National Insurance Act* will also entitle all contributors and their dependents to the benefits of a free and comprehensive medical service. Under the *National Health Service Act*, which became law in November, 1946, and will come into effect in July, 1948, complete medical, dental, specialist, and hospital services will be available without charge and without qualification or limitation to everyone—retaining, however, the choice of doctors by patients and the choice of activity by doctors.

Physical health will be helped greatly, also, through the very advanced nutritional programs which aroused such wide attention when linked with food rationing during the war. Free milk and hot lunches at all schools (greatly developed during the war), and the free provision of special foods for infants and small children have notably raised health standards, and will be developed still further. For factory workers, a key health factor is the close attention to factory law and industrial health, both of which are fields in which Britain pioneered and is still greatly progressing.

Finally, there are the great projected advances in educational opportunity for all. The *Education Act*, passed in 1944, raises the school-leaving age for all children to 15 immediately, and to 16 as soon as more schools can be built. Secondary education will be compulsory for all, and children leaving school at 16 will attend special county colleges several days a week in their employers' time. Scholarships covering free university and technical education will be extended even beyond their present very wide scope.

Britain is determined that every citizen shall be fully provided for against any accident of economic circumstance; that social and physical welfare shall be a public responsibility; and that every child, whatever its background, shall have every opportunity for self-advancement.

Easing the Labor Task

THE November issue of the British *Ministry of Labor Gazette* (official) says that: "During the ten completed months of 1947, changes in hours of labor reported to have come into operation in the industries covered by the Department's statistics

have resulted in an average reduction of about three and one half hours a week for about five million work people," and that for the same ten months the aggregate payroll increased £1,018,700. Assuming no change either way in the last two months of the year, this means that in 1947 the labor force of Great Britain worked 910 million fewer hours than in 1946 and received £1,222,440 more in wages.

Compulsory Dependence

Preparing the British mind for the new compulsory social insurance that will cover the self-employed, the non-indigent and the well-to-do, along with the poor, The Times, London, recently printed the following editorial.

SEVERAL million self-employed workers, ranging from street-hawkers, hedgers, and chimney-sweeps to doctors, company directors, and, apparently, members of Parliament, will become compulsorily insured for the first time next July. Few countries in the world have yet attempted to include men without masters in compulsory social insurance, and fewer still have succeeded. The French, inspired by British plans for social security, made the attempt earlier this year and failed completely. The chances of success in Britain are for many reasons far greater. The majority of the self-employed, who are humble folk, want to be insured, and the scheme into which they are to enter is, when compared with those of most other countries, about as simple as it could be made. It will nevertheless appear complicated, even confusing and irksome, to many who have had no previous experience of insurance. It is important for the success of the scheme that all concerned should understand their new rights and obligations. . . . When the self-employed have received their contribution cards, their next duty will be to buy insurance stamps to put on their cards. Since they have no employers to do this for them, their main incentive will be their desire to qualify for insurance benefits. The benefits are attractive enough to justify the hope that most of them will keep up their contributions without the promptings of a corps of enforcement officers. But many among the wealthier independent workers, such as businessmen, barristers, and prosperous farmers, doctors, or novelists, may have no desire for the benefits. They must not, however, forget that the law obliges them too to contribute. . . . Unless the self-employed cooperate with the State to make the scheme work by accepting a reasonable measure of self-discipline, they may invoke irksome inquiries and rules of behavior.

British Witness

Sir William Y. Darling, M.P.

Sir William Y. Darling is a Scot from Edinburgh, merchant, industrialist and public servant for the love of it. As a member of the House of Commons he broke with Winston Churchill in the matter of the American loan to Great Britain and voted against taking it, on the ground that borrowing and lending between governments is bad in principle and that in any case this loan was likely to do more harm than good. Above all he is an individualist and believes in what he calls a science of individualism. He is chairman of the council of the famous British Society of Individualists. On some errand of business he was recently in this country and made several unreported speeches, in the role of witness. This is what he said.

I FEEL that what I can do most usefully is to tell you something of how I see matters in the United Kingdom. My justification is to be found in a story desperately entangled; and I come to tell you that this is a road you should not travel. The experience is not worth it.

First I think it is fair to say something about the remarkable achievements of a small people living in one of the most limited spaces in the world. Britain is an island with a crowded population equal to that of thirty-three of the states of the United States all together, an island which for one hundred and fifty years, under these disadvantages, has upheld the traditions of civilization and encouraged development throughout the whole world.

Glance at the achievements of this small people in my small island in the last one hundred and fifty years.

With population under 20,000,000, we not only developed our own modern economy, but we found a surplus of population to scatter between the United States, Canada, New Zealand, Australia and South Africa, in fact, all over the world; we found commercial surpluses to invest all over the world; we provided the initial economic equipment of the United States, and we did no small share in Canada; we have done our share in all the Dominions, in South America, and upon the continent of Europe. These things were done with a small population and no economic wealth such as Canada or the United States had, and it is well to remind ourselves and the world of the magnitude of that achievement. We did not only all these things with our money and our people but we found it possible to find the skills and the judgments to help develop a great people like the peoples of India, of Ceylon and of Burma. Those great nations who will now lead the world might well look occasionally at our example.

During two wars we lost all our markets, and most of our investments abroad, and that has

helped to bring us to where we stand today. Such was the position when the general election was fought two years ago. Any government which came into power then would have been in trouble, whether a conservative government, a liberal government or a socialist government, and I do say that this government, inheriting trouble, sought for further trouble; they looked for further trouble, and they have got it.

The Famous Election

I suggested during the election that what the country required was a period of two or three years of rest. If I were a good Socialist—which I am not—I would say that the right thing to do was to bring British capitalism back to its peacetime basis before we attempted to develop socialism. This government did not take that view. They added to their inherited troubles several troubles of their own making. They fought an election with the most reckless and foolish promises, an election which seemed to suggest that the public were even more ignorant than we believed them to be.

In place of realizing that after a great war, a country is poorer than it was before, the idea was sedulously spread about that we were somehow a much richer nation and things which we could not afford before the war we could afford now. In place of low wages, harder work and longer hours, they promised a new Utopia. These promises were made very recklessly; they were made doubtless in all sincerity, and they were made by a party which is now the government.

To understand a British election you must know the British people. In that election a farmer whose name you wouldn't know exercised his constitutional right to stand as an opponent to the former Prime Minister, the most famous man in the world.

You would think, and I would think, if we had lived in the constituency of Woodford, that even if

we didn't like Churchill we might have stayed at home. Well, 10,000 people who could have stayed at home went to the polls and deliberately cast their votes for this farmer rather than for Churchill.

That, to me, is a minor matter but it is not without significance. I think I am right in saying that we must consider the fact that the British people have an inherent fear of power, an inherent fear of anybody getting too much power or authority. In the British mind, in the election which was so disastrous for the Conservative Party, there was the feeling that certain people had been in power too long and that, while Churchill was a big man, all the more they could not have him getting too big nor too powerful for too long. So the election went against the Conservative and the Liberal parties and Great Britain got a Socialist government.

The Loan Was Wrong

Now, how has that government failed? They have been maladroitness, they have been unlucky, they have been ill-advised, they have made many mistakes, but the worst mistake of all, I think, was to leap with both hands and both feet at the American loan. Contrary to the instructions of the leader of my party, Mr. Churchill, I voted against the American loan, because I believed that *then* was the time to face the whole situation of economic reality.

I say to you that a loan between one nation and another—and I say this with deep conviction—is almost certain to be the cause of international quarrels, certainly of international difficulties. I do not favor the international loan system. This may be a voice crying in the wilderness, but I do not favor the international loan system because it presents too many dangers and difficulties, and there are better alternatives.

The first of the difficulties is that the man who makes it on behalf of his people is not the man who recovers the payment. Mr. Truman makes a loan to Mr. Attlee, but the Trumans and the Attlees have gone when the difficulty of payment is actually faced. If the loan is not paid—as it will not be—and as many further difficulties arise about tariffs and so on, bad feelings will come forth between one nation and another. I venture to say that no loan was ever made by one country to another that did not carry with it the seeds of misunderstanding.

There are alternatives. In the 1860's, after the war between the North and the South, your North was derelict and your South was bankrupt. In those days we did not talk nation to nation; we talked, much more wisely, person to person. Surplus British capital in the 1860's invaded the United States as it invaded Canada and elsewhere, seeking present profit and doing its share in reshaping the ruined

economies of the North and the South. Hundreds of thousands of contracts were made. In the city of Edinburgh you will read on brass plates in lawyers' offices, outside their doors, "Scottish North American Investment Company" or "Scottish Lake Huron Trust Company," and so forth. These were deals between person and person. Many of them were successful; many of them were not, but the point I am making is that no *international* complications arose out of the failure or default of any of those transactions.

What Happened to It

There is a further disadvantage about a state loan. When the British accept a line of credit for three and three-quarter billions of dollars from the United States, every person in the United States feels that it is *his* loan. "We have all done this for Britain." That is the feeling. I have spoken to people in New York and I know that is how they feel.

Now, what happens to this \$3¾ billion? The American government grants it. Then arises the question as to who in the United States will have a share of that loan. The cotton industry says, "We have always sold cotton to Great Britain, we must have *our* share, and a bigger share. This is for the rehabilitation of Britain, how can they do it without more cotton?"

Then the tobacco fellow says, "Forty per cent of our Virginia tobacco was sent to Britain; we should have our share." The film people come along and say, "We should be in on this racket too." And then come along the oil men and they demand their share, and then comes along the little fellow who used to make cutlery and during the war he was making daggers and bayonets, but he does not make daggers and bayonets any more; he had expanded his plant and now he wants to export cutlery in order to keep his plant running on full time; he wants a share; so they all want a slice.

You will see that *international* loans carry with them not only a doubtful experiment from nation to nation, which may well be the cause of misunderstanding, if not of war, but also these internal disquietudes which no nation should willingly have imposed upon itself. So I say, in general, let us avoid loans between nation and nation.

Scourge of Government

Now I come to the main part of my thesis, and it is that the organization of government on a large scale is the greatest danger with which the world is faced. Government is a piece of machinery which men have invented for their convenience and which politicians have exploited for their own good. The

record of government is not a good record throughout the world.

What can governments do that we as individuals cannot do? I look at government as having one unique function. The unique function of any government, at any time, and which nobody else can undertake, and which cannot be handled by private enterprise, is the defense of the country. National defense is the supreme duty of government. Most of you have seen two wars—some of you have seen three. In no war in which my country or your country has become engaged was the government ready to start. The government had to rely upon private persons to fill its ranks, develop its army, make the ammunition and the fighting machines. And so, if government in its supreme task has failed I think we should all be very careful not to entrust to it *any task* which we are able to perform for ourselves.

Socialists have a deep-rooted conviction that, somehow, government can do things better than the people can do them, and so they say, "Let the government do it; let the municipalities do it," and they shift the responsibility which should be theirs on to somebody else.

Socialization of Loss

Following the mandate of the electors the British government has nationalized a number of industries. What is the result? A woman said to me: "This nationalization is a very queer thing. The more you own the less you seem to have." I said, "Mrs. Mackenzie, what do you mean by that?" She said: "We own the Bank of England, but I have less money. We own the coal mines, and I have less coal. We own the railroads, and I cannot get a seat in the train for my holiday!"

We have less coal than during the war. We have a worse and much more costly railway service than during the war. We have restrictions on power to such an extent that I am being invited in my own business to work a night shift as a permanent feature in order to ease the "load" upon other factories for the day shift.

All of these things have arisen out of the application of this principle that ownership by the state, or by the community, carries with it some advantages to the individual; and on top of this policy of nationalized ownership, there has been committed further economic folly. Britain is more or less a handicraft country. Although we were the inventors of the steam engine, we have been reluctant to take up the use of machine tools. If your standard of machine tools is 100 in the United States, it is as low as 40 in Great Britain. That is to say that the greater part of the industry of Britain is still handicrafted, with high standards if you like, but with production

necessarily limited. In spite of that plain fact, which everyone in the United Kingdom knows, the government considered it their duty to establish a 5-day week. Now, a 5-day week for machine-using communities may well be introduced, because of the use of tools, and may not affect the production from a 5½-day week, but in a community where the use of machine tools is extremely limited, the results of the installation of the 5-day week have been, quite frankly, disastrous. Production has fallen substantially in almost every business, and fallen the most substantially in those businesses which are the least equipped with machine tools.

Cost of Social Gains

Another major error, which I think has contributed to the crisis, is the raising of the school age. It has long been the proper ambition of politicians, of all parties, to raise the school age. At the age of fourteen, children were free to remain at school or go to work, and parents were compelled to retain their children in school until the age of fourteen. We had drafted legislation raising the school age to fifteen years, but had deferred the application of it until after the war. When this government came into power the school age was raised at once.

To raise the school age from fourteen to fifteen seems in itself quite an innocuous proposal, in fact, a highly commendable one, but the effect has been to remove from labor these 300,000 pairs of hands which were of value in production. These have to be housed and, educationally, you cannot take a class of boys of fifteen, under the same conditions that you can take a class of children of ten, or eight, or seven, so we have to embark upon a very large school extension campaign; we are building—and very properly—schools to house this additional generation of school children. Boys and girls of fifteen have to be taught, and a teacher who can handle a class of thirty or forty of a younger age is not equal to handling a class of thirty or forty of that older age, so we have had to enormously increase our staff of teachers. In addition to that, we have had to enlarge the university resources and get more professors and lecturers, and extend the school buildings for this purpose. And so this action—in itself very commendable and indeed very desirable—has placed a further limit upon our capacity to produce goods for export.

We have committed ourselves to a very large rehousing program which has utilized all the labor forces available today; we have committed ourselves to an enlarged export program, but we have at the same time limited material to enlarge our factories; we have committed ourselves to an extension of foreign commerce, and a further shortage of labor and of supplies has resulted. So in all these

ways we have used for less urgent purposes available supplies and thus have increased our difficulties.

I mentioned housing. It might surprise you to know that in the United Kingdom no houses are to be built except upon the direction of the state. The shortage is believed to be so acute that the only agencies that are allowed to build houses are the agencies of which the state approves. This has greatly held up the housing policy. There are not hundreds, but thousands of houses in the United Kingdom which are standing roofless because of the lack of adequate planning for the building of houses.

The Expulsion

These are some of the causes, it seems to me, of this crisis. Added to that, there is a complete disorganization and lack of confidence which has occurred by the taking over of the main industries which formerly were privately owned. The result is that we have less coal, and from that we have considerable railway restriction; we have a considerable and continuing housing shortage; we have less food than we had formerly, and we have to make do with our clothing which we have now, and on top of all that, there is the supreme humiliation, the direction of labor. The government, with the consent of the trade unions, have now the right to direct any person between the ages of fifteen and sixty to any place at any time for any job which they might think will add to the national interest.

This is the sad picture, and it is no pleasure for me to report it. But I do wish to return to my original thesis by saying that these evils are due to the fact that over a period of half a century now, the public attitude in the United Kingdom and elsewhere has been that the men of affairs, the businessmen, cannot be trusted with the handling of the affairs of the nation. That policy has become a god which governments worship, and yet it is surprising—and I am speaking now as a politician—that we do not realize when dealing in promises that, if they are to be fulfilled, they must be fulfilled by the citizens themselves. We speak of “social security.” Where does it come from? Not from government. It comes from the taxation which is levied through the legislative machinery, and imposed upon the people themselves. If better housing is to be provided, where does the money come from? We say that none shall be homeless, and we carry the people with us and they become very enthusiastic, and think that all we have to do is to pass the legislation to supply the houses, without thinking of where the essentials are coming from.

It may be a strange thing for me to say, but I have said it in the House of Commons and before chambers of commerce, that the businessman is actually the choice of the people. When general elections take place in Great Britain, this is what

happens. We decide on a day for the election and the electors either on their way to work at eight o'clock in the morning, or in going home before eight o'clock at night, go into a school and behind a screen take a pencil that is tied there and put a cross after the name of their choice. The result is the vote, and the voice of the people is the voice of God.

The Continuous Election

There is another vote which does not take place every four or five years; it takes place every hour of the day. If I am running a department store, and sell hats, I exist because the votes of the people give me their support. If a woman says, “Aye, I will buy my hats from Mr. Simpson and not from Mr. Darling,” or she says, “I will not buy a hat; I will go to a cocktail lounge,” or, “I will not buy a hat, I will put my money in the bank and save it,” I must abide by her vote. By her vote, her economic vote, she makes me well-to-do, independently well off, poor or bankrupt. The choice of the people in our ballot boxes is one thing. The choice of the people in industry is another, because day in and day out, you are either chosen by the people or you are not, and the politicians through the governmental machinery show only the choice of the people of a community which has been placed in their hands.

I submit that it is incontrovertible that no man can be a rich man, in modern society, or at least moderately well off except by the economic vote of the people. It is the people's choice which makes this man moderately well off, or pretty well off, or a millionaire.

I was dining with Lord Beaverbrook, the great newspaper proprietor, and he was commenting on the voice and votes of the people. I said, “Your Lordship, are you not blind to the fact that in this strange and confusing era 3 millions of people tomorrow morning will say, ‘Lord Beaverbrook, here is a penny for you. *That is a vote with a penny attached to it.*’” And every businessman who is selling a product, large or small, is really securing, if he is successful, the votes of the people for his product. If he is securing the votes of the people for his product, it seems to me he should stand up more than he does and urge the control of industry by those who freely command the economic votes. Because if he does not, the politicians will take his surpluses, take his profits, and will control his business.

The People's Money

I was once the treasurer of the city of Edinburgh. It was my particular pride to be the most parsimo-

nious, the meanest and least to be desired of all the treasurers they have ever had in Edinburgh. My view was simply this, that I thought it impertinent to say to the people how they should spend their income. I said, "The best thing I can do for you is to leave as much of your earnings in your pockets as I can, and take as little as I can for the city." The city officials knew they had to cut their coat according to their cloth, and yet we had a clean, well-planned and well-ordered city, because the citizens had plenty of money left in their pockets to arrange their own affairs.

The best thing you can do, as businessmen, is to oppose all taxation. Taxation comes too easily, and too readily, and there are those who will spend it equally as readily. It sounds simple to add sixpence on to the income tax or an extra shilling on this or that. In your taxing problems, ask for value.

I remember once receiving a demand for £18-17-6 and I wrote to them and said, "Will you kindly detail this account?" They wrote back and said those were my returns, and I wrote again, and I said, "When I deal with a store and they render an account, sometimes it is in toto, but if I have lost my documents and request it, they will give me the details over again, and I ask you to give me a detailed account," and they again refused. The third time I wrote, I got a detailed account of what was being spent on roads, and upon transport, and the like. Bureaucrats are in the habit of cashing blank checks, and you are in the habit of supplying them with the funds with which these blank checks may be cashed. You should bring it down so that, in the words of Adam Smith, "the earnings of the people may fructify in your pocket."

What Happened to the Doctor

As you know, The Health Act has been passed in Great Britain over the opposition of the Doctors' Trade Union. Trade unions are respected in every other branch of society, but the Doctors' Trade Union is not. A doctor cannot say, "I would like to practice in Edinburgh, or Glasgow, or Brighton." He will be directed to where he is to go. I voted against it and spoke against it, and said the doctors were being deliberately defrauded out of a reasonable accumulation of their professional fees. Now, if I had a house at a corner where a doctor had lived for two generations, and I purchased it because of its economic value to my business, and came to sell that house, under Mr. Aneurin Bevan, it has only a house value. I can only sell it at the house value and can get nothing because of its professional association. That is, in my judgment, a very grievous

fraud. It is true it is aimed at the doctors who resided in a good, fashionable neighborhood where men and women with large sums of money pay the doctor large sums for not being cured.

The result of all this will be a readjustment of medical services. The medical profession of the future will, in the main, become simply a profession of civil servants. The Listers of yesterday—and they are few, and they may be few in the future—the pioneers in medical science, will be able to work only as civil servants in the government's research department. It may well be that public health will be better as a result, but the individual's personal doctor supervising one's own health has been removed entirely. Men and women will go to the university and take certain approved studies and then be limited to a research institute or a certain hospital, or perhaps private practice here and there, but they will be directed. I will be one who will suffer, because I will be unable to secure any better attention than I now get from my own pharmaceutical chemist. I can no longer consult a genial humbug, who will take my money for telling me there is nothing wrong with me.

Atom Train

British Information Service

A TRAVELING atomic energy exhibition, housed in two railroad coaches, started on a six months' tour of twenty-six towns in England, Scotland, and Wales early in November. It was organized, in cooperation with the Ministry of Supply, by the Atomic Scientists' Association, the membership of which includes almost every British scientist who took part in the development of atomic energy during the war. The first half of the exhibition deals with the basic principles of atomic energy. These are illustrated by means of charts, photographs, and working models. In addition, demonstration experiments, of the type used by research scientists, will show the detection and production of radio-elements, detection of fission pulses, and the principles of isotope separation. In the second part, the applications of atomic energy are shown, with models illustrating the chain reaction in uranium, the principles of separation of isotopes, and atomic energy piles. The applications of atomic energy to medicine and biological sciences are also explained. An ordinary element will be bombarded with neutrons, after which it will be shown to be radioactive.

Atomic Energy Weeks will be staged in the places visited by the train.

The Broken Mainspring

**Winston Churchill*

I DO NOT believe that a successful export trade can be founded upon a starved home market. I pointed this out two years ago when I asked how we could suppose that a fertile and healthy export trade could be maintained, except on the overspill of a very much larger internal and domestic trade. Exports are only the steam over the boiling water in the kettle. They are only that part of the iceberg that glitters above the surface of the ocean. No long-term scheme for keeping a vast community alive can be based on an export trade alone. Down this path we shall only get into ever-narrowing situations. At any moment foreign price movements or our own rising costs of production may vitiate and overthrow all our carefully worked out calculations.

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The United States, from an immense volume of home production, throws down its surplus of exports. How can we compete with that in any neutral market? The conception that any community can make its living without a healthy and vigorous home market and strong domestic consuming power is a fallacy condemned by every one of the great economists of the past.

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There was indeed an interval after the victory when there was what is called a "sellers' market," of which a temporary advantage could be taken and was to some extent taken. I supported the American loan because I hoped that with this external aid and the sellers' market we might revive our normal peacetime fertile activities here. But the sellers' market is departing, and the American loan has gone. Meanwhile we have not been able to create free thriving business and productive activity at home.

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I do not believe in the capacity of the State to plan and enforce an active high-grade economic productivity upon its members or subjects. No matter how numerous are the committees they set up, or the ever-growing hordes of officials they employ, or the severity of the punishments they inflict or threaten, they cannot approach the high level of

internal economic production which, under free enterprise, personal initiative, competitive selection, the profit motive corrected by failure, and the infinite processes of good housekeeping and personal ingenuity, constitutes the life of a free society.

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It is no doubt true that the State can always present large projects to the public gaze; large projects can be unfolded. The difference between what is seen and what is not seen was often noticed by the old economists. What is not seen is the infinite variety of individual transactions and decisions which, in a civilized society, within the framework of just and well-known laws, inure to the advantage not only of the individual concerned, but of the community, and provide that general body of well-being constituting the wealth of nations.

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It is this vital creative impulse that I deeply fear the doctrines and policy of the Socialist government have destroyed, or are rapidly destroying, in our national life. Nothing that they can plan and order and rush around enforcing will take its place. They have broken the mainspring, and until we get a new one the watch will not go.

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A vast population grew up here under free enterprise and the capitalist system. Immense investments were made in foreign countries which refreshed and stimulated our home market with imports. Half of these have now gone in the war in the common cause, but half remain. The loss of half of our foreign investments is no sufficient explanation of our plight. We could certainly by a united effort fill that gap.

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Why is it then that suddenly we should have to be told that the system by which we lived at a higher standard than any other country in Europe has come to an end?

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The reason why we are not able to earn our living and make our way in the world as a vast, complex, civilized community is because we are not allowed to do so. The whole enterprise, initiative, contrivance, and genius, of the British nation is being increasingly paralyzed by the restrictions which are imposed upon it in the name of a mistaken political philosophy and a largely obsolete mode of thought. I am sure that if Parliament set the nation free it would be able to earn its own living in the world.

* Excerpts from his address in the House of Commons, October 27, 1947, on a motion to amend the King's Speech.

I am sure that this policy of equalizing misery and organizing scarcity, instead of allowing diligence, self-interest and ingenuity to produce abundance, has only to be prolonged to kill this British Island stone dead.

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It is not nature which has failed us. It is not nature which has failed mankind. It is governments, which, misled and steeped in folly or perversity, have rejected and squandered the fruits of nature.

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I turn to the United States with whom our fortunes and interests are intertwined. I was sorry that the honorable Member for Nelson and Colne said some weeks ago that they were "shabby moneylenders." That is no service to our country nor is it true.

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The Americans took but little when they emigrated from Europe except what they stood up in and what they had in their souls. They came through, they tamed the wilderness, they became what old John Bright called "A refuge for the oppressed from every land and clime." They have become today the greatest State and power in the world, speaking our own language, cherishing our common law, and pursuing, like our great Dominions, in broad principle, the same ideals. And the honorable Member for Nelson and Colne calls them "shabby moneylenders."

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It is true that they have lent us a great deal of money. They lent us £1,000 million in the First World War, a debt which we solemnly confirmed after the war, in time of peace. But all that they let drop. Then there was Lend-lease, before they came into the second war, in all about £7,000 million. Two years ago we borrowed another £1,000 million sterling from them, or nearly four billion dollars.

I asked the other day a rhetorical question, "What are dollars?" Dollars are the result of the toil and the skill of the American working man, and he is willing to give them on a very large scale to the cause of rebuilding our broken world. In many cases he gives them without much prospect of repayment. Shabby moneylenders!

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For the purposes of my argument this afternoon, I wish to refer chiefly to the economic policy of the United States. Their high tariff and buoyant internal production make it difficult for them to receive imports. That is what we are endeavoring to achieve

here by the method of prohibition of consumption. It is regrettable, because there can for no long time be a fertile importation or exportation without the corresponding operation.

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It must have been a heart-shaking decision of the American Government and of the President, who has great executive power, to abandon price controls and, as it were, throw the reins upon the horse's neck. The strong horse is pulling the wagon out of the mire. I know what many hopes are on the opposite side of the House, but they will not be cheered by the results. We have a strong horse too. He is not so large but he is strong. Alas, he is bitted and bridled and hobbled and haltered till he can hardly move.

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The United States, therefore, have high prices in spite of abundance, and we have high prices as well as scarcity. According to all the economists I have ever studied, high prices in spite of abundance is good, and low prices because of scarcity is bad.

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I will conclude my strictures in the social and domestic field by reading the latest economies proposed by the new Minister of Fuel and Power, who represents, I believe, Socialist intellectualism and the old school tie. He advocated—according to what I read in the public press and I have made some inquiries about its authenticity—he advocated a policy of fewer baths. I really must read the words which he is reported to have used, as I think they constitute almost a record:

"Personally, I have never had a great many baths myself, and I can assure those who are in the habit of having a great many that it does not make a great difference to their health if they have less. As for your appearance"—

said this representative of His Majesty's Government—

"most of that is underneath and nobody sees it."

When Ministers of the Crown speak like this on behalf of His Majesty's Government, the Prime Minister and his friends have no need to wonder why they are getting increasingly into bad odor. I had even asked myself, when meditating upon these points whether you, Mr. Speaker, would admit the word "lousy" as a Parliamentary expression in referring to the Administration, provided, of course, it was not intended in a contemptuous sense but purely as one of factual narration.

Reading

What of the Night?

John Bassett Moore, who had been almost forgotten when he died on November 12th last, was an American landmark. What he represented was the nationalist tradition. He defended it upon grounds of history, morals and supreme common sense, and wrote with lonely power against the rise of the new ideologies of internationalism, which he believed could result only in making both war and peace more terrible. As the foremost American authority on international law, as a diplomat and as a pioneering international jurist at The Hague, he devoted his life to a study of the way of nations with one another. A theme to which he returned again and again was the reckless propensity of Americans to sacrifice their own national well-being by intervening romantically in the affairs of other nations or in the affairs of the world at large, with ideas such as to make it safe for democracy by force, or a war to end war. That was the theme of one of his last papers entitled, "What of the Night?" printed in the Virginia Quarterly Review, 1941, parts of which are reproduced below.

IN the stormy darkness of the early hours of December 5, 1841, there arrived at New York, after a tempestuous voyage, the steamer *Humboldt*, bearing the famous Hungarian patriot and orator, Kossuth. In spite of the hour, he was welcomed by a long-waiting delegation whose spokesman assured him that "from the pine-forests of Maine to the sugar-bottoms of Texas, from the coal-fields of Pennsylvania to the golden mountains of California—in all that vast region washed on the one side by the stormy Atlantic and on the other by the calm Pacific," his name not only would "unlock every heart" but also would be "the signal for the uprising of eighteen millions of people."

The keynote having been thus sounded, what followed was for a time in an ever-rising inflection. The flame spread as the orator progressed. Public men and private persons, the civil and the military, judges and lawyers, political societies, Sons of Liberty, European democrats, omnibus proprietors, volunteer fire companies, and naturally the great bulk of aspirants for public office joined in the acclaim. Encouraged by this demonstration, Kossuth cast off all reserve and, in his so-called "official capacity" as the representative of Hungary, made an appeal for aid. Europe was, he declared, on the eve of great events, and he could not doubt that the people of the United States had resolved to "throw

their weight into the balance" in which "the fate of the European Continent was to be weighed."

The emotional tide continued to rise until the distinguished agitator, after unusual Congressional and other demonstrations in Washington, called upon the President of the United States, and, above all, upon Henry Clay, the father of Pan-Americanism. President Fillmore received his visitor with great propriety, but, while expressing toward him personal respect and kindness, intimated that there was to be no departure from our established policy.

But it was Henry Clay who effectually extinguished the flame. With entire candor, he told Kossuth that he must protest against the policy he proposed. Waiving for the moment, he said, the grave and momentous question whether the United States had the right "to assume the executive power among nations for the enforcement of international law," or to dictate to other nations what their relations one with another should be, the practical aspect of the matter must be considered. This in the end necessarily meant war, and, if the United States could, according to its conceptions, interfere in the affairs of other nations, so reciprocally could those nations interfere in the affairs of the United States. While we professed to believe their doctrines wrong, they might, on their part, believe them to be essential to their peace, their security, and their happiness, and would, if attacked, naturally deem themselves to be fighting a war of self-defense against unjustifiable aggression. Far better, said Henry Clay, would it be for the cause of liberty throughout the world that the United States should keep its lamp burning brightly in its own domain, as a light to all nations, than to hazard its extinction amid the ruins of fallen or falling republics in Europe.

After his reception at Washington, Kossuth toured the country, passing through the West and the South, and then through the North and East. Returning finally to New York, he sailed for England. His departure was scarcely noticed. The popular excitement died out with a suddenness proportionate to its extravagance.

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I have given prominence to the visit of Kossuth not because it was the first or the last occasion on which the American people have manifested a tendency recklessly to sacrifice their national well-being in foreign wars, but because it vividly exemplifies that propensity. When, in 1793, Genêt came to the United States with instructions from the revolutionary government in France to bring about "a national agreement" under which the two peoples should "defend the empire of liberty wherever it can be embraced," he was greeted with popular demon-

strations that would have justified a detached observer in believing that the populace was wholly composed of partisans of France and partisans of Great Britain, the former constituting a vast majority, and that the Administration might be safely flouted and defied. Nevertheless, on April 22, 1793, George Washington, as President, with the counter-signature of Thomas Jefferson, as Secretary of State, issued the proclamation of neutrality which continued until 1917 to guide the policy of the United States in regard to foreign wars, and particularly in regard to those in Europe and in the Far East.

The circumstances of our departure in 1917 it is not now my purpose extensively to discuss. President Wilson, in his address to the Congress of April 2, 1917, while invoking the entrance of the United States into what he called "the most terrible and disastrous of all wars, civilization seeming itself to be in the balance," declared that we should "fight for the things which we have always carried nearest our hearts—for democracy, for the right of those who submit to authority to have a voice in their own governments, for the rights and liberties of small nations, for a universal dominion of right by such a concert of free peoples as shall bring peace and safety to all nations and make the world itself at last free." That this was, in commercial parlance, what is known as a "large order," no student of history will deny. Nor do people all agree as to what freedom is, or as to its necessary limitations. In the present instance the aspiration turned to ashes.

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Nor has the popular impression that the war then in progress was unprecedented in its extent and destructive effects any actual foundation. It is indeed wholly at variance with the facts. The current titles "World War" and "First World War" merely betray a misconception of history. Marshal Foch ("Des Principes de la Guerre," 1918, Preface IX) has truly said that the principles which govern the art are immutable, and that among them is the harmonious employment of all the national resources in men, materials, and money. It was so in the wars of ancient Persia, of Greece, of Rome, and of Carthage.

At the close of the Thirty Years' War (1618-1648), the population of the old German Empire was reduced from sixteen million, or slightly more, to about four million, and only one city was left with its ancient walls. In the wars of the Spanish Succession (1700-1713), the losses of the belligerents, among whom were Austria, England, France, Holland, and Spain, were enormous in their totality as well as in their proportions; the population of France alone was computed to have fallen nearly fourteen per cent. In the Seven Years' War (1756-

1763), in which George Washington fought as a British subject, although the general drain upon the belligerents, among whom were Austria, England, France, Prussia, Portugal, Russia, and Spain, and incidentally the British, French, Portuguese, and Spanish colonies in America, was less heavy, Prussia was estimated to have lost, simply on the field of battle, more than six per cent of her population. The losses in life and property and in commerce and industry in the wars growing out of the French Revolution (1792-1802) and the Napoleonic Wars (1803-1815) are beyond computation; and it is said that in France, in 1813, the average height of young men coming of age began to show a decline.

It is obvious that the popular impression as to the effect of steam and electricity in increasing the area of wars is erroneous, and that the lack of rapid transit did not prevent the European powers from winning and losing empires in conflicts which they fought face to face not only in Europe but also in America, in Africa, and in Asia. Although they reached their objectives more slowly, they gained them not less surely.

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No contrast could be greater than that between the treatment of France under the peace treaties of 1814-'15 and the treatment of Germany under the Versailles Treaty of 1919. The war of the coalition against France began in 1793. At the head of the coalition was Great Britain, then France's traditional rival and inveterate foe; and among Great Britain's allies were Austria and Prussia. The series of wars that followed, including the Napoleonic Wars, continued with little interruption until 1815; and, after all the mutations of the intervening years, there appeared with Great Britain, in the first line of the victors, Austria and Prussia, of whom Castlereagh spoke as "the two States which were to form the immediate bulwarks of Europe." The day after Waterloo there were, it was said, few families in England that were not in mourning. And yet, by the treaties of 1814-'15, the boundaries of France were hardly diminished, no pecuniary burden was imposed that she could not readily bear, and she was subjected to no degrading conditions. Thus was exemplified the old peace psychology now out of fashion and deeply despised.

Let us now turn to the new and advanced psychology—the psychology of phrasemaking, of frenzied oratory, and of vengeful retribution. A century later, at Versailles, the vanquished were summoned to accept, without negotiation, the doom pronounced upon them in their absence, with its rending of historic ties, its dispersal of peoples, its dismemberments, its extorted confession of guilt, its confiscations of private property, its demand for

the imposition on Germany of the entire cost of the war, and for the hanging of the Kaiser as a crowning proof that the world has been "made safe for democracy."

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Let us now become backward-looking; let us turn our eyes back to 1815, toward the dark ages in which railways, steamships, telegraphs, telephones, and the radio had not illuminated the human understanding and knit men together in common brotherhood; to the days in which the "will to peace" did not clamor for economic sanctions, for boycotts, and for threats and acts of war as the appropriate means of assuring universal concord and permanent tranquillity. As we turn toward the past there looms out of the darkness the heroic figure of the Duke of Wellington, the Iron Duke, the man of deeds, who knew the agonies of war and the blessings of peace. He had in time of war governed alien populations under martial law—by the will of the military commander. But, what was his will and what did he do? He has himself told us. He governed with such moderation that political servants and judges who at first had fled afterwards returned and acted under his direction, the judges sitting in the courts of law and administering justice according to the laws of the land. Consulted in 1814 as to whether Great Britain should not demand, as a condition of peace with the United States, the retention of the territories she then occupied in the latter country, he answered in the negative. If the new "ideal," of which the Duke of Wellington represents the antithesis, correctly interprets what is meant by making the world safe for democracy, it is obvious that something is needed either to make democracy safe for the world, or to save the world from it.

Selling Freedom

"A slave obtains his freedom. A captive obtains his liberty"
—Crabb

THERE is much news of freedom—in the headlines, in the forums and on the air. Some of it is news of discovery. New kinds of freedoms are thought of and immediately then there is clamor for a law whereby these, too, may be conferred by government, such, for example, as freedom by law from any feeling of racial or biological inferiority, or freedom to work where and for whom you will whether you are wanted or not.

But why is there no news of liberty? Is it that the revelation of liberty is complete? Certainly, there can be no new or entertaining versions of it suitable for torch singing or the flurry of quiz programs.

Those who continue to write about liberty are few and old-fashioned, and what they say has a sound of repetition because all that passion and eloquence can tell has been told many times magnificently. So if you avoid the new fashions of freedom and write about liberty instead you come to feel that you are sowing grass to kill out tares. The grass was there first and had deep native roots. How did the tares get in? They grew from seed of course, and the seed was an alien word blown this way on winds from Europe. Seeing what that word has done many people get the thought that what is needed to overcome the ugly growth of tares is a counterword, if only it can be found, and then a way to use it with devastating herbicidal effect. But there are no new words about liberty and a prophet comes when the time comes, not sooner. He cannot be summoned. The same people then get the thought that it could be done in a very simple way indeed. You have only to tell the people the truth, or say again the great sayings, only now to say them with typographical punch, as in advertising, so that the common man will be arrested as he runs. This is the primer idea.

There are many primer books. Here is another one*—"A Political Science Primer," by John R. Rood, LL.B., a professor of law at Michigan University and a great champion of free enterprise. "This primer," says the author, "is written to direct the attention of the student to the highlights of political science, usually obscured by great emphasis stressing general practices."

It is a worthy book. If it were the only one of its kind it would be an important book. At the outset the author says there is nothing new in it. "Here is mainly an attempt to collect the best thought of the best thinkers stated in the simplest possible terms." It is printed in bold-face type, as a primer ought to be, only that for adults this makes it harder to read. Patrick Henry saying "Give me liberty or give me death" is less effective in bold-face type than in the fine pale print of McGuffey's Sixth Reader. This cannot be explained by reference to the art of typography.

There is something wrong with the primer idea. For one thing, the principles of liberty are not primer stuff. They belong to the theory and science of government. Merely to comprehend a precise statement of what they are requires close attention and some power of analysis and synthesis. Addressing recently a conference of the Controllers' Institute on "The Price of Freedom," H. W. Prentis, Jr., asked the embarrassing question: "How many Americans have even a casual acquaintance with those principles? How many members of this assembly, far above the level of the average American audience in education and intelligence, could make

* "A Political Science Primer," by John R. Rood. Detroit Lawbook Company, Detroit, Mich.

even a skeleton explanation of the foundations on which the American republic rests?"

Emotional understanding of liberty is quite another matter. One may have that without knowing the principles. But does one get it from a primer? Did you? We may remember how we got the multiplication table or the alphabet and what a chore it was; not so with a native American feeling for liberty. That we got with our milk to begin with, and by becoming gradually aware of rights and immunities, little ones first that were personal, later those that were general, touching not only one's own family but all families, as for example, what the cop on the corner could or could not legally do—until when we came for the first time to read the Bill of Rights, which might have been at the age of twenty, it was as if we already knew it by heart.

Freedom Train, now going about the country with its precious freight of historical documents and souvenirs, is a kind of picture book primer. In what has been said about it, by those who launched it on its travels and by editors, reporters, and columnists, there are some very curious passages.

The President said it represented "our common heritage of freedom"; and added: "It is a heritage which we Americans must share with the world."

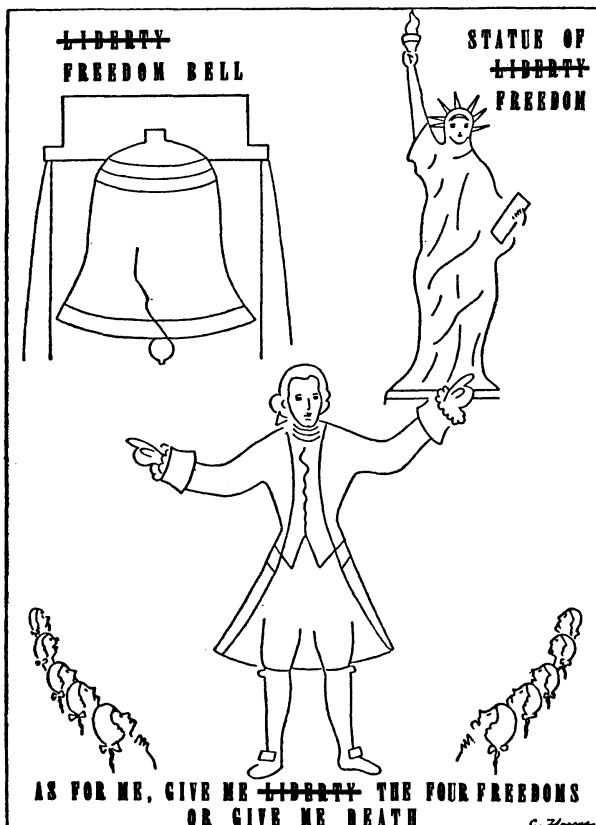
Observe that the word is freedom. In the common language we have unconsciously substituted free-

dom for liberty. They are not the same. Freedom is personal, private, limited, and may be conferred. Slaves may be granted freedoms. Liberty, by distinction, is public. From the Latin *liber* it means freedom from external restraint, from the action of power—in the American case, freedom from the power of unlimited government. Freedom you may reconcile with the idea of all-powerful government; liberty you cannot. The Russians have some personal freedoms, but they have not liberty. Only a people capable of severe self-discipline may have liberty to keep. It may be possible to share freedom. One does not precisely know how. But certainly liberty cannot be shared. It is not a heritage. You cannot inherit liberty. If we have the good luck to be born where liberty is, it is there because our fathers fought for it; what we inherit therefore is not liberty but the example to fight for it and the precept to defend it with eternal vigilance.

On the arrival of Freedom Train in New York the newspapers welcomed it like this: "The red, white and blue Freedom Train carrying priceless documents guaranteeing every American's right to life, liberty and the pursuit of happiness will be welcomed to New York tonight by Mayor O'Dwyer." As if liberty could be guaranteed by faded writing on old paper, or as if these historical relics were charms and phylacteries and anyone touching them or beholding them reverently through glass might say: "I am free."

The editor of *Colliers* wrote: "Don't miss Freedom Train. To see the actual paper on which John Hancock or Abraham Lincoln planted his own signature with his own hand is a far different and more exciting experience than reading the same set of words in a book and gives you a more intimate and informed feeling about the great story of your own country."

Freedom Train was on Track 30 at the Grand Central Terminal. Across the gate was a chain; at one end of the chain was a policeman and at the other a clocker. The duty of the clocker was to say when to drop the chain and to let another batch of people through. The head of the line, three abreast, was across the lobby by the big staircase; the end of it was off somewhere in 47th Street. At a signal from the clocker the chain was dropped and then policemen, by holding hands in two rows, made an aisle from the head of the wriggling queue to the gate and passed another segment of it, saying all the while, "Lively, please. Lively." On the Freedom Train were loudspeakers saying, "Keep moving, please." When it began to work well it was found that the number that could be handled between 10:00 A.M. and 10:00 P.M. was 6,000. That would be 500 per hour, or one every $7 \frac{2}{10}$ seconds—hardly time enough you would think to acquire that "informed feeling" about the Bill of Rights, or about the



Declaration of Independence and 128 other documents.

For those who might get discouraged there was a large illustrated screen on the balcony to tell you about Freedom Train and about freedom. It showed you still pictures of the signing of the Magna Charta and the Mayflower Compact and gave you a little homily on the theme of there being desirable and undesirable kinds of freedom. Could you distinguish between them in the next three pictures? The next three pictures were (1) a man taking a whole railway coach seat to himself with people standing in the aisle; (2) a motor car exceeding the highway speed limit and (3) several persons at a newsstand, presumably exercising the freedom to buy any kind of newspaper they wanted. The last legend was, "Freedom is everybody's job." Then it began all over again. Where Freedom Train stops in its travels, the community is expected to arrange a Rededication Week. New York City did and there were a number of speeches exhorting people to dedicate themselves again to freedom, as if it were something they had mislaid or forgotten to think about.

It must be supposed that implicit in the idea of Freedom Train and in the collateral idea of making its presence the occasion for organizing a Rededication Week, there is the thought that popular devotion to freedom is in decline, or that something could happen to it here. Well, the fact is that a great deal has happened to freedom here in the last few years. The right of the individual to sell his labor to whom he will on his own terms has been extinguished. The private wage contract now is minded and regulated by government. The right of the wage earner to have the whole of what he earns to do with as he will has disappeared. Whether he likes it or not, the government will take a percentage of what he earns out of his pay envelope before he can touch it and do with it what it thinks is good for the individual. The right of the farmer to plant and reap his own acres as he will and to do as he likes with his own crops—that also has been largely extinguished. Concerning these matters, Freedom Train is utterly innocent.

One of the heroes of Freedom Train is Thomas Jefferson. Two of the precious documents under glass are *Jefferson's Rough Draft of the Declaration of Independence* and *Jefferson's Bill for Religious Freedom*, neither of which you can begin to read in 7 2/10 seconds. But there was the possibility of an exhibit that might have been read and understood at a glance. Imagine it. First this statement by Thomas Jefferson:

"Were we directed from Washington when to sow and when to reap we should soon want bread."

and under that this simple statement of fact:

"Washington now regulates the American farmer's acreage and the marketing of his crops."

Another exhibit that could have been read at a glance might have been this great phrase from the American dedication:

"To the end that this shall be a government of laws, not of men."

and directly under that, this sentence from a recent dissenting opinion written by Mr. Justice Jackson and concurred in by Mr. Justice Frankfurter:

"The truth is that in this decision the court approves the power to govern without law."

Or, while one is thinking of them, another exhibit that might have been absorbed in 7 2/10 seconds, to wit:

"Freedom Train is sponsored by Mr. Tom C. Clark, the Attorney General of the United States, representing the Department of Justice."

and under that:

"This is the same Department of Justice that only a few years ago put a little tailor in jail for charging less to press a pair of pants than the price fixed by the government."

It may be said that such things as the tyranny of administrative law, which is what Mr. Justice Jackson was writing about, or the philosophical meaning of the famous American dictum—*To the end that this shall be a government of laws, not of men*—cannot be explained to people who have in their ears on Freedom Train the injunction of the loudspeaker to keep moving please. That is true; it is true also that to make the principles of liberty intelligible or interesting at the level of primer knowledge would be extremely difficult. But has the educator ever tried? What is he doing about it? Would you say that the first principles of liberty were any harder to teach than the laws of matter?—any more difficult to impress upon the gristle of the young American mind than an understanding of nuclear physics? A recent article in *Life* magazine tells with what amazing ingenuity and inventiveness educators are now beginning to teach abstract physics to children. By using ordinary mouse traps Dr. Balinkin, of the University of Cincinnati, explains how the fission of an atom of uranium or plutonium can set off the chain reaction of the atomic bomb. A rubber ball, pretending to be a neutron, is dropped into a cage the floor of which is covered with mouse traps pretending to be atoms. On each mouse trap trigger are two balls pretending to be neutrons. Each of these mouse traps will throw two balls in the air if it is hit

by the first ball; these two balls may fall in a way to release four, and these four in a way to release eight, and so on.

If educators had been using that quality of imagination to teach children the crucial importance of government by law, the abstract principles of liberty, and why unlimited government though it may guarantee freedoms is bound to be the enemy of liberty, Freedom Train would be as meaningless today as it would have been fifty years ago, and the world with which, according to Mr. Truman, "we are obliged to share our freedom," would not be puzzled by the spectacle of the American people trying to sell it to themselves by methods of advertising and showmanship.—G. G.

Chaos in Europe 100 Years Ago

It is good for the sense of perspective to read again Robert Hunter's description of Europe in one of her cyclical moods of chaos one hundred years ago. There was then neither a dollar shortage to ruin her nor a Marshall Plan to save her; but the socialists had the same demonology and the same slogans against capitalism, profit and private property.*

AFTER thirty-three years of class warfare the struggle in England and on the Continent had become so bitter that the year 1848 was ushered in by a series of menacing insurrections. On the 24th of February, Louis Philippe was driven out of Paris and a republic was immediately proclaimed. On the 13th of March, the people of Vienna arose and forced the much hated Metternich to flee hurriedly from the country. On the 18th of March, the people of Berlin arose and after a bitter struggle the King surrendered himself into their hands.

"Events are coming to the surface," wrote Lord Ashley. "We see the stir on the waves, and we shall soon see the mass thrown up by the volcanoes. Italy is in open revolution; Austria is crumbling to pieces. Insurrection at Berlin! Insurrection at Vienna! The Prince Metternich deposed! Revolutions go off like pop-guns! Lombardy is in full revolt." These words of Lord Ashley, who for years had tried to better the condition of the poor in England, will convey some idea of the consternation, perplexity and foreboding which existed among the upper classes as they watched the revolutionary contagion

spreading from city to city, from one end of Europe to the other.

In his own explosive style, Carlyle painted a lurid picture of this volcanic period:

"As if by sympathetic subterranean electricities, all Europe exploded, boundless, uncontrollable, and we had in the year 1848, one of the most singular, disastrous, amazing, and, on the whole, humiliating years the European world ever saw. Not since the irruption of the Northern Barbarians has there been the like. Everywhere immeasurable democracy rose monstrous, loud, blatant, inarticulate as the voice of Chaos. . . . In city after city, street-barricades are piled, and truculent, more or less murderous insurrection begins; populace after populace rises, king after king capitulates or absconds; and from end to end of Europe democracy has blazed up explosive, much higher, more irresistible and less resisted than ever before; testifying too sadly on what a bottomless volcano, or universal powder-mine of most inflammable mutinous chaotic elements, separated from us by a thin earth-rind, society with all its arrangements and acquirements everywhere, in the present epoch, rests!"

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It was, as usual, in Paris that the epidemic of insurrections started, and no sooner was Louis Philippe driven out of the city, his palace plundered and the whole royal family exiled, than a republic was proclaimed. Immediately a Provisional government was formed, including republicans such as Lamartine, Ledru-Rollin and Arago, with some socialists, of whom Louis Blanc and Albert were the most notable. It was natural that profound differences should arise between the two sections. With different flags, different ideals, and representing as they did antagonistic classes and economic interests, no common action was possible. The republicans had no thought of instituting any far-reaching economic changes. Their aims were purely political and they believed that the working class could be satisfied by certain reforms.

The socialists, on the other hand, considered the republic only as a means of achieving their more radical aims and hoped soon to begin the heroic task of organizing society on a new basis. As soon as the revolutionary forces became dominant many shops and factories were closed down and the workers of Paris were soon in a state of abject misery. Vast numbers were unemployed.

The new government was immediately faced with the demands of the workers, led by socialists, that they should be guaranteed "the right to work" and the "unionization of all labor." As these reforms had been advocated for several years by Louis Blanc and his associates, he was called upon to give the following pledges to the populace:

"The Provisional Government of the French Republic promises to guarantee the existence of the laborers by

* "Revolution," by Robert Hunter. Committee for Constitutional Government, 205 E. 42nd Street, New York 17, N. Y.

work. It promises to assure work to all citizens. It recognizes that the workers must join together in order to enjoy the benefits of labor."

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Here we find the doctrine of the right to work accepted as a governmental policy. A few days later, another popular demonstration demanded a Minister of Progress to undertake the organization of labor. This was proceeding rather too fast for the republicans, and serious quarrels broke out between Louis Blanc and the other members of the government. The second proposition was defeated, although it was agreed that a government commission, under the presidency of Louis Blanc, should be appointed to deal with labor questions. The decree, instituting the commission, was written by Blanc who fearlessly put on record: "The question of labor is of supreme importance and it is necessary without delay to guarantee to the people the legitimate fruits of their labor."

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With production for use as a slogan, Louis Blanc overpowered the opposition and all Europe heard for the first time a high official advocate revolutionary socialist doctrines. Some in terror and others with hope and joy heard him proclaim that the workers in the various trades should organize great cooperative productive undertakings and, with the help of subsidies from the state, should begin the work of undermining capitalism. He urged that all the factories, mines and other industrial enterprises should be conducted directly by the workers who would be permitted to select their own superintendents and set their own wages. With the resources and power of the state behind them, Blanc believed the workers would in a short time displace all individual enterprises and individual capitalists.

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In the transitory stage, Blanc admitted that it would be necessary to use state capitalism to destroy private capitalism, but once that was accomplished the many industrial unions would be organized on a national plan entirely independent of the government. Blanc promised that the government would act as an intermediary and assure fair play in the battle between private capital and cooperative production. The great capitalist, he asserted, overpowers the little capitalist by "fraud, violence, and all the evils that iniquity carries in its train." And to avoid such violence and injustice, he promised "that the struggle between his new associations and capitalism would be carried on without brutality, without shocks, and with as much clemency as would consist with attaining the desired end,

namely, the absorption, successive and pacific, of individual workshops by social workshops."

These are the essential points of Louis Blanc's socialist program, and now, in his powerful position in the government, he undertook to put them into practice. Naturally, such objectives were bound to arouse bitter opposition. They were felt to be subversive and very few of those who were forced at first, by the exigencies of the situation, to support Blanc, agreed with him or wished in any manner to advance his revolutionary ideas.

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Government competition with private industry, production for use, the right to work and a "guarantee" that labor should be given the full product of its toil (which in this instance proved to be trifling)—all doctrines proclaimed by the socialists as essential to the peace and welfare of society—became in practice repressive measures which infuriated the workers. By the end of June a bloody conflict broke out between the workers and the government. For three days there was fighting in the streets and, finally, when the armed forces under General Cavaignac gained the upper hand, they brutally crushed the rebellion of employees—no longer the officially blessed. Over 3,000 were killed and later 15,000 were transported. Thus ended the "Works Progress" experiment of Louis Blanc.

While these events were taking place in Paris, the workers of Great Britain were also undergoing a humiliating experience. In fact the most complete revolutionary fiasco of the year occurred in England.

100th Anniversary of the Manifesto

THE famous "Communist Manifesto" by Karl Marx and Friedrich Engels was published in that year of European chaos, 1848—one century ago. It was a document of nearly fifteen thousand words and is still in current print. You may buy it in any Communist book shop for five cents. The eleventh American printing, April, 1939, was an edition of one hundred thousand copies. It is in four parts and begins: "A specter is haunting Europe—the specter of communism."

Part I is the Marxian history of the class struggle and ends with the prediction that the "modern laborer," instead of rising with the progress of industry, will sink "deeper and deeper below the condition of existence of his own class," that pauperism will increase faster than wealth and population, and that the fall of capitalism and the victory of the proletariat are equally inevitable be-

cause what capitalism "produces, above all, are its own grave diggers."

Part II is the heart of the Manifesto and contains the program. It is here reproduced in full:

II

PROLETARIANS AND COMMUNISTS

In what relation do the Communists stand to the proletarians as a whole?

The Communists do not form a separate party opposed to other working class parties.

They have no interests separate and apart from those of the proletariat as a whole.

They do not set up any sectarian principles of their own, by which to shape and mould the proletarian movement.

The Communists are distinguished from the other working class parties by this only: 1. In the national struggles of the proletarians of the different countries, they point out and bring to the front the common interests of the entire proletariat, independently of all nationality. 2. In the various stages of development which the struggle of the working class against the bourgeoisie has to pass through, they always and everywhere represent the interests of the movement as a whole.

The Communists, therefore, are on the one hand, practically, the most advanced and resolute section of the working class parties of every country, that section which pushes forward all others; on the other hand, theoretically, they have over the great mass of the proletariat the advantage of clearly understanding the line of march, the conditions, and the ultimate general results of the proletarian movement.

The immediate aim of the Communists is the same as that of all the other proletarian parties: Formation of the proletariat into a class, overthrow of bourgeois supremacy, conquest of political power by the proletariat.

The theoretical conclusions of the Communists are in no way based on ideas or principles that have been invented, or discovered, by this or that would-be universal reformer.

They merely express, in general terms, actual relations springing from an existing class struggle, from a historical movement going on under our very eyes. The abolition of existing property relations is not at all a distinctive feature of communism.

All property relations in the past have continually been subject to historical change consequent upon the change in historical conditions.

The French Revolution, for example, abolished feudal property in favor of bourgeois property.

The distinguishing feature of communism is not the abolition of property generally, but the abolition of bourgeois property. But modern bourgeois private property is the final and most complete expression of the system of producing and appropriating products that is based on class antagonisms, on the exploitation of the many by the few.

In this sense, the theory of the Communists may be

summed up in the single sentence: Abolition of private property.

We Communists have been reproached with the desire of abolishing the right of personally acquiring property as the fruit of a man's own labor, which property is alleged to be the groundwork of all personal freedom, activity and independence.

Hard-won, self-acquired, self-earned property! Do you mean the property of the petty artisan and of the small peasant, a form of property that preceded the bourgeois form? There is no need to abolish that; the development of industry has to a great extent already destroyed it, and is still destroying it daily.

Or do you mean modern bourgeois private property?

But does wage-labor create any property for the laborer? Not a bit. It creates capital, *i.e.*, that kind of property which exploits wage-labor, and which cannot increase except upon condition of begetting a new supply of wage-labor for fresh exploitation. Property, in its present form, is based on the antagonism of capital and wage-labor. Let us examine both sides of this antagonism.

To be a capitalist, is to have not only a purely personal, but a social *status* in production. Capital is a collective product, and only by the united action of many members, nay, in the last resort, only by the united action of all members of society, can it be set in motion.

Capital is therefore not a personal, it is a social, power.

When, therefore, capital is converted into common property, into the property of all members of society, personal property is not thereby transformed into social property. It is only the social character of the property that is changed. It loses its class character.

Let us now take wage-labor.

The average price of wage-labor is the minimum wage, *i.e.*, that quantum of the means of subsistence which is absolutely requisite to keep the laborer in bare existence as a laborer. What, therefore, the wage-laborer appropriates by means of his labor, merely suffices to prolong and reproduce a bare existence. We by no means intend to abolish this personal appropriation of the products of labor, an appropriation that is made for the maintenance and reproduction of human life, and that leaves no surplus wherewith to command the labor of others. All that we want to do away with is the miserable character of this appropriation, under which the laborer lives merely to increase capital, and is allowed to live only insofar as the interest of the ruling class requires it.

In bourgeois society, living labor is but a means to increase accumulated labor. In Communist society, accumulated labor is but a means to widen, to enrich, to promote the existence of the laborer.

In bourgeois society, therefore, the past dominates the present; in Communist society, the present dominates the past. In bourgeois society capital is independent and has individuality, while the living person is dependent and has no individuality.

And the abolition of this state of things is called by the bourgeois, abolition of individuality and freedom!

And rightly so. The abolition of bourgeois individuality, bourgeois independence, and bourgeois freedom is undoubtedly aimed at.

By freedom is meant, under the present bourgeois conditions of production, free trade, free selling and buying.

But if selling and buying disappears, free selling and buying disappears also. This talk about free selling and buying, and all the other "brave words" of our bourgeoisie about freedom in general, have a meaning, if any, only in contrast with restricted selling and buying, with the fettered traders of the Middle Ages, but have no meaning when opposed to the Communist abolition of buying and selling, of the bourgeois conditions of production, and of the bourgeoisie itself.

You are horrified at our intending to do away with private property. But in your existing society, private property is already done away with for nine tenths of the population; its existence for the few is solely due to its nonexistence in the hands of those nine tenths. You reproach us, therefore, with intending to do away with a form of property, the necessary condition for whose existence is the nonexistence of any property for the immense majority of society.

In a word, you reproach us with intending to do away with your property. Precisely so; that is just what we intend.

From the moment when labor can no longer be converted into capital, money, or rent, into a social power capable of being monopolized, *i.e.*, from the moment when individual property can no longer be transformed into bourgeois property, into capital, from that moment, you say, individuality vanishes.

You must, therefore, confess that by "individual" you mean no other person than the bourgeois, than the middle class owner of property. This person must, indeed, be swept out of the way, and made impossible.

Communism deprives no man of the power to appropriate the products of society; all that it does is to deprive him of the power to subjugate the labor of others by means of such appropriation.

It has been objected, that upon the abolition of private property all work will cease, and universal laziness will overtake us.

According to this, bourgeois society ought long ago to have gone to the dogs through sheer idleness; for those of its members who work, acquire nothing, and those who acquire anything, do not work. The whole of this objection is but another expression of the tautology: There can no longer be any wage-labor when there is no longer any capital.

All objections urged against the Communist mode of producing and appropriating material products, have, in the same way, been urged against the Communist modes of producing and appropriating intellectual products. Just as, to the bourgeois, the disappearance of class property is the disappearance of production itself, so the disappearance of class culture is to him identical with the disappearance of all culture.

That culture, the loss of which he laments, is, for the enormous majority, a mere training to act as a machine.

But don't wrangle with us so long as you apply, to our intended abolition of bourgeois property, the

standard of your bourgeois notions of freedom, culture, law, etc. Your very ideas are but the outgrowth of the conditions of your bourgeois production and bourgeois property, just as your jurisprudence is but the will of your class made into a law for all, a will whose essential character and direction are determined by the economic conditions of existence of your class.

The selfish misconception that induces you to transform into eternal laws of nature and of reason, the social forms springing from your present mode of production and form of property—historical relations that rise and disappear in the progress of production—this misconception you share with every ruling class that has preceded you. What you see clearly in the case of ancient property, what you admit in the case of feudal property, you are of course forbidden to admit in the case of your own bourgeois form of property.

Abolition of the family! Even the most radical flare up at this infamous proposal of the Communists.

On what foundation is the present family, the bourgeois family, based? On capital, on private gain. In its completely developed form this family exists only among the bourgeoisie. But this state of things finds its complement in the practical absence of the family among the proletarians, and in public prostitution.

The bourgeois family will vanish as a matter of course when its complement vanishes, and both will vanish with the vanishing of capital.

Do you charge us with wanting to stop the exploitation of children by their parents? To this crime we plead guilty.

But, you will say, we destroy the most hallowed of relations, when we replace home education by social.

And your education! Is not that also social, and determined by the social conditions under which you educate, by the intervention of society, direct or indirect, by means of schools, etc.? The Communists have not invented the intervention of society in education; they do but seek to alter the character of that intervention, and to rescue education from the influence of the ruling class.

The bourgeois claptrap about the family and education, about the hallowed correlation of parent and child, becomes all the more disgusting, the more, by the action of modern industry, all family ties among the proletarians are torn asunder, and their children transformed into simple articles of commerce and instruments of labor.

But you Communists would introduce community of women, screams the whole bourgeoisie in chorus.

The bourgeois sees in his wife a mere instrument of production. He hears that the instruments of production are to be exploited in common, and, naturally, can come to no other conclusion than that the lot of being common to all will likewise fall to the women.

He has not even a suspicion that the real point aimed at is to do away with the status of women as mere instruments of production.

For the rest, nothing is more ridiculous than the virtuous indignation of our bourgeois at the community of women which, they pretend, is to be openly and officially established by the Communists. The Com-

munists have no need to introduce community of women; it has existed almost from time immemorial.

Our bourgeois, not content with having the wives and daughters of their proletarians at their disposal, not to speak of common prostitutes, take the greatest pleasure in seducing each other's wives.

Bourgeois marriage is in reality a system of wives in common and thus, at the most, what the Communists might possibly be reproached with is that they desire to introduce, in substitution for a hypocritically concealed, an openly legalized community of women. For the rest, it is self-evident, that the abolition of the present system of production must bring with it the abolition of the community of women springing from that system, *i.e.*, of prostitution both public and private.

The Communists are further reproached with desiring to abolish countries and nationality.

The workingmen have no country. We cannot take from them what they have not got. Since the proletariat must first of all acquire political supremacy, must rise to be the leading class of the nation, must constitute itself *the* nation, it is, so far, itself national, though not in the bourgeois sense of the word.

National differences and antagonisms between peoples are vanishing gradually from day to day, owing to the development of the bourgeoisie, to freedom of commerce, to the world market, to uniformity in the mode of production and in the conditions of life corresponding thereto.

The supremacy of the proletariat will cause them to vanish still faster. United action, of the leading civilized countries at least, is one of the first conditions for the emancipation of the proletariat.

In proportion as the exploitation of one individual by another is put an end to, the exploitation of one nation by another will also be put an end to. In proportion as the antagonism between classes within the nation vanishes, the hostility of one nation to another will come to an end.

The charges against communism made from a religious, a philosophical, and, generally, from an ideological standpoint, are not deserving of serious examination.

Does it require deep intuition to comprehend that man's ideas, views, and conceptions, in one word, man's consciousness, changes with every change in the conditions of his material existence, in his social relations and in his social life?

What else does the history of ideas prove, than that intellectual production changes its character in proportion as material production is changed? The ruling ideas of each age have ever been the ideas of its ruling class.

When people speak of ideas that revolutionize society, they do but express the fact that within the old society the elements of a new one have been created, and that the dissolution of the old ideas keeps even pace with the dissolution of the old conditions of existence.

When the ancient world was in its last throes, the ancient religions were overcome by Christianity. When Christian ideas succumbed in the 18th century to rationalist ideas, feudal society fought its death battle

with the then revolutionary bourgeoisie. The ideas of religious liberty and freedom of conscience, merely gave expression to the sway of free competition within the domain of knowledge.

"Undoubtedly," it will be said, "religion, moral, philosophical and juridical ideas have been modified in the course of historical development. But religion, morality, philosophy, political science, and law, constantly survived this change.

"There are, besides, eternal truths, such as Freedom, Justice, etc., that are common to all states of society. But communism abolishes eternal truths, it abolishes all religion, and all morality, instead of constituting them on a new basis; it therefore acts in contradiction to all past historical experience."

What does this accusation reduce itself to? The history of all past society has consisted in the development of class antagonisms, antagonisms that assumed different forms at different epochs.

But whatever form they may have taken, one fact is common to all past ages, *viz.*, the exploitation of one part of society by the other. No wonder, then, that the social consciousness of past ages, despite all the multiplicity and variety it displays, moves within certain common forms, or general ideas, which cannot completely vanish except with the total disappearance of class antagonisms.

The Communist revolution is the most radical rupture with traditional property relations; no wonder that its development involves the most radical rupture with traditional ideas.

But let us have done with the bourgeois objections to communism.

We have seen above, that the first step in the revolution by the working class, is to raise the proletariat to the position of ruling class, to establish democracy.

The proletariat will use its political supremacy to wrest, by degrees, all capital from the bourgeoisie, to centralize all instruments of production in the hands of the state, *i.e.*, of the proletariat organized as the ruling class; and to increase the total of productive forces as rapidly as possible.

Of course, in the beginning, this cannot be effected except by means of despotic inroads on the rights of property, and on the conditions of bourgeois production; by means of measures, therefore, which appear economically insufficient and untenable, but which, in the course of the movement, outstrip themselves, necessitate further inroads upon the old social order, and are unavoidable as a means of entirely revolutionizing the mode of production.

These measures will of course be different in different countries.

Nevertheless in the most advanced countries, the following will be pretty generally applicable.

1. Abolition of property in land and application of all rents of land to public purposes.
2. A heavy progressive or graduated income tax.
3. Abolition of all right of inheritance.
4. Confiscation of the property of all emigrants and rebels.
5. Centralization of credit in the hands of the state,

by means of a national bank with state capital and an exclusive monopoly.

6. Centralization of the means of communication and transport in the hands of the state.

7. Extension of factories and instruments of production owned by the state; the bringing into cultivation of waste lands, and the improvement of the soil generally in accordance with a common plan.

8. Equal obligation of all to work. Establishment of industrial armies, especially for agriculture.

9. Combination of agriculture with manufacturing industries; gradual abolition of the distinction between town and country, by a more equitable distribution of the population over the country.

10. Free education for all children in public schools. Abolition of child factory labor in its present form. Combination of education with industrial production, etc.

When, in the course of development, class distinctions have disappeared, and all production has been concentrated in the hands of a vast association of the whole nation, the public power will lose its political character. Political power, properly so called, is merely the organized power of one class for oppressing another. If the proletariat during its contest with the bourgeoisie is compelled, by the force of circumstances, to organize itself as a class; if, by means of a revolution, it makes itself the ruling class, and, as such sweeps away by force the old conditions of production, then it will, along with these conditions, have swept away the conditions for the existence of class antagonisms, and of classes generally, and will thereby have abolished its own supremacy as a class.

In place of the old bourgeois society, with its classes and class antagonisms, we shall have an association, in which the free development of each is the condition for the free development of all.

(End Part II of the Manifesto)

Part III is an attack on all emasculated and Utopian forms of competitive socialism, with withering contempt for those "who wish to attain their ends by peaceful means and endeavor by small experiments, necessarily doomed to failure, and by force of example, to pave the way for the new social gospel."

Part IV is devoted to united front strategy, as for example, in Germany, to fight with the middle class until the upper class falls and then to turn on the middle class—"in short the Communists everywhere support every revolutionary movement against the existing social and political order of things." The last words are: "The proletariats have nothing to lose but their chains. They have a world to win. Workmen of all countries, unite!"

How To Make Little World Citizens

A Public School Project

THE National Educational Association, representing 386,000 organized school teachers, is about to launch "Operation Classroom," which will be "a program for the teaching of international understanding." The Association's Committee on International Relations has been at work on it for a year. A forecast of it was imparted at a recent meeting in Cincinnati by William G. Carr, secretary of the Educational Policies Commission, and in the October number of the *NEA Journal*, which is the National Educational Association's trade paper, Mr. Carr's speech is reproduced. He says:

"Vast possibilities are open to us for laying the basis for world citizenship.

"The time has long since passed when domestic policy in the United States could be considered separately from its effects abroad.

"Intelligent citizenship must learn to decide issues, formally regarded as purely domestic, in terms of their international significance. If we want to live at peace, we cannot continue to divide national policy into two compartments—the domestic and the foreign.

"One policy for one world.

"As you teach about the United Nations, lay the ground for a stronger United Nations by developing in your students a sense of world community.

"The United Nations should be transformed into a limited world government.

"The psychological foundations for wider loyalties must be laid.

"Teach those attitudes which will result ultimately in the creation of a world citizenship and world government.

"I am suggesting the development of the attitudes, information and ability which alone can make world citizenship possible.

"There will be opposition to an educational program of this kind. It will be opposed by those who mistakenly believe it to be in conflict with national loyalty.

"World citizenship need not mean the end of national loyalties.

"Education for world citizenship, beginning with the adjustment of little children to their immediate environment, can extend their understanding to a broader horizon which comprehends the people and the places of one interdependent world.

"We cannot directly teach loyalty to a society that does not yet exist, but we can and should teach those skills and attitudes which will help to create a society in which world citizenship will be possible."

Dollars Cannot Save Us

** By Senator Brooks of Illinois*

EACH bill has carried the avowed purpose of promoting our national defense, our general welfare, our foreign policy. Always we are told that it was to promote peace, gain security for ourselves, and freedom for oppressed people.

It is obvious that despite our unprecedented sacrifice, military effort, and victory, we are less secure today than before, and hundreds of millions of oppressed people are milling about in insecurity, in fear, and in want. We face the future with dangerously depleted natural resources and a greatly impaired financial position.

How did we get where we now are? The answer is that we followed foolish policies. We have followed the propaganda of the same administration for fifteen years.

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Everyone who studied history knows that Great Britain was a great, secure power only as long as there was a reasonable balance of power, both military and economic, in the hands of several European states. Her constant fear was the concentration of power in the hands of one European state with expansionist desires. Twice we went to war in Europe at Great Britain's urgent cry for help. Twice we were told it was to our national interest to prevent Germany from dominating and oppressing the Continent.

Everyone knew that Russia had an age-old desire to expand and that England's policy had constantly been to use other states to help her prevent that expansion. Everyone knew that the philosophy of the Soviets was to oppress people, wipe out human liberties, and eliminate individual rights. When she invaded and raped Finland, subjugated Latvia, Estonia, and Lithuania, when she allied herself with Germany, invaded and divided Poland, she showed conclusively her character, purpose, and intent.

When Germany attacked Russia, both nations constituted two evil forces, enemies of everything we hold dear, dissipating each other's strength.

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Our leaders, with those of Great Britain, embraced Russia as an ally and started to glorify her and pour our wealth and supplies into her hands. Some of us were ridiculed and condemned by the

* A speech in the Senate on the bill providing ad interim aid for Europe.

administration propagandists when we insisted that the Soviets were not our true allies, but were merely cobelligerents fighting an invader. Everyone knew that she shared none of our ideals, but had contempt for human freedoms.

The war leaders of both the United States and Great Britain joined Russia in a pledge utterly to destroy and annihilate Germany, Italy, and other Balkan allies, without regard to the fact that when this was accomplished there would be no European country left with physical or material resources adequate to form any substantial resistance to Russia with her vast reserves of territory, manpower, and natural resources, in her long-range expansion program.

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In spite of these realities, our own national administration allowed Communists to infiltrate into our Army, into our Federal Government, and even into the government propaganda agencies, where they did their work so well that even our leaders believed their propaganda. They gave in to Russia, granting secret concessions that encouraged her expansion, and to this very day they are sending her goods that can be used in war production.

Not only did we help conquer Germany with unbelievable and indescribable destruction, but we imposed a postwar policy of destruction that leaves her in rubble and hopelessness. Today there is no German state; Italy is too weak for war or peace; France is impoverished and unstable; England is in the hands of a Socialist government that destroys incentive on the part of both capital and labor alike.

There is not a single strong government in western Europe capable of stabilizing its currency, balancing its budget, and creating incentive for work and production, which is the only possible hope of providing resistance to communism. The constant loaning or giving of money to Socialist governments under the blackmail threat of their going Communist will never succeed. It will only prolong the agony.

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In our own country the same administration, with many of the same individuals now serving in different capacities, warn us of the danger of Russia after they helped make her the colossus of Europe. Having armed her with American weapons, motor vehicles, machine tools, transportation and com-

munication facilities, they say that we must now restore our former enemies and allies alike in an effort to restrain and contain this monster of the Continent whom they helped make great.

To do this, they ask for vast sums and supplies out of our limited resources, and at the same time ask for unprecedented powers to regulate, restrict, and restrain the normal enterprise of the American people that will inevitably bring about shortages and black markets worse than existed during the war.

Let me say here and now that there can be no argument about the desirability of America's responding to the call of humanity for food and fuel to stave off starvation, freezing, and deadly disease. There can be no argument about the desirability of having the countries of western Europe stable, strong, and protective; but several things must be made crystal clear.

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Although we are still the freest people in the world, we are on the verge of giving up that freedom for controls which the President himself calls police-state methods.

Although we are the most productive people on earth, we are only 7% of the world's people; we occupy only 7% of the world's area; and we produce in our bumper years less than 12% of the world's food supply.

Although we are the richest people on earth, we are carrying the largest debt ever carried by a solvent country in history.

Although we are the most charitable people on earth, from our limited supply we cannot feed all the hungry, we cannot clothe all the naked, we cannot fire all the furnaces and hearthstones of the universe.

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Therefore, we must place our limited help in food, fuel, fertilizer and other supplies where they will give strength and incentive to work that will result in production of food, fuel, and fertilizer, and machines that will in turn result in consumer goods that will meet the demands of a world that is sicker today than it has been in the memory of man.

We simply cannot go on financing and subsidizing Socialist governments who foster and follow practices that destroy incentive to work and retard possible production.

When we were led into war we found ourselves in another tragic dilemma that the military and State Department could not meet.

We called the best minds of production to the cause. The best minds of management, labor, and agriculture were called on for the know-how, direction, and leadership, and only in that manner did we get our needed wartime production.

With a sick world writhing in rubble, disillusionment, and despair, hamstrung with restrictive bad practices in agriculture, manufacture, and monetary affairs, a major operation is needed today.

In this tragic hour, resulting partly from our own past folly, neither the State Department nor the military can qualify as a competent surgeon.

Production is the medicine required in a sick world. Any program of spending American dollars will fail unless it is directed by patriotic, qualified leaders in American agriculture, industry, and labor, to direct the use of those dollars to produce food, coal, steel, transportation equipment, as the first step up the hospital stairs on the way to recovery.

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These men must come from outstanding American enterprise now employed as outstanding leaders of their fields in American private enterprise. They must not come from hangers-on around government bureaus which live only to issue government edicts, and on government funds produced by men of enterprise. They must be skilled in the American philosophy of private productive enterprise, and be inspired by the challenge of serving humanity by teaching and leading men who will work in the ways of greater accomplishment.

We cannot tell other peoples what kind of government they must have, but as representatives of free people we have no right to vote away our own people's freedom, either. We have no right to vote away their finances unless it results in helping people who will work and produce the necessities of life.

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The mere suggestion that we are buying time with American dollars and by depleting our resources is not enough.

The time we have bought with the precious blood and cooperation of America was used to make Russia the colossus of Europe. With that time she has expanded her terrorism and her oppression until more millions stand in fear than ever before.

The important question is, what will we do with the time we propose to purchase?

Dollars will not do the job. We must have a new approach and a new program offered to inspire incentive to work, a new plan to inspire production.

Work and production constitute the only remedy and solution for the Old World facing hunger, cold, and disease. Any future program must be turned over to men who know how to work and produce under the free enterprise of America, and not left to men who want to limit, regulate, and restrain America's freedom. Merely to pile another mistake on the mistakes already made will ultimately mean utter ruin for us as well as for the rest of the world.

Why Not Try Freedom?

Reflections by Senator Harry F. Byrd

IT is a strange doctrine that, to make Europeans free, we must make ourselves at home slaves to a federal bureaucracy which will dip its wasteful and inefficient hand into every man's business. It is a heavy price for America to pay and one that, in the end, will defeat its own ends.

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We are facing what some call an emergency now. But some kind of crisis, either actual or manufactured, is likely to occur in some sections of the world for many years to come. In later years the argument will be made that these control measures cannot be abandoned for one reason or another.

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American free enterprise can struggle along for a time under controls in the emergency of war, but in years of peace it will stagnate and die a slow but sure death if businessmen lose control of their own business.

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Planned economy will destroy American democracy.

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The sheer magnitude of the government and the multitude of the things with which it concerns itself make the actions of governmental bureaus a controlling influence in every man's private business. In fact, we are challenged to safeguard ourselves against the creature we have made to serve us.

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In the Federal Government there are 1,141 main boards, bureaus, agencies and departments at Washington, and hundreds of these have powers conflicting with each other. The almost unbelievable stupidity with which many of these agencies have been administered has created bottlenecks and general confusion that seriously menaced our prosperity. The businessmen of the country are tired of looking in the newspaper each day to see what new directive has been issued to control their business. Is there any reason to think that new controls will be administered with any greater efficiency?

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Why not try freedom?

In time of peace let us not abandon the system of free enterprise which has carried us to a greater progress and higher living standards than ever before enjoyed by any people in all the world and made us the most powerful nation.

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The opportunity for saving the taxpayers' money at Washington is as wide as the ocean. We have only two "untouchable" items—the interest on the public debt and the payment of tax refunds. These constitute about 20% of the whole.

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Since the end of the war, a new item of expense has been included in our federal budgets. Without claiming to be a prophet, I can say that this item is likely to become an integral part of our appropriation bills for many, many years to come. I refer to the foreign aid, on which we have already expended, or contracted to spend, nearly 20 billions of dollars in the past two years.

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The question that the American people should ask is: What constructive benefit has resulted from these expenditures in the past two years? Some of this money has been spent in Russia and her satellite countries.

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The fact remains that, if reports are to be believed, the economic conditions in Europe today are just as bad as when we began to make this expenditure. The President reported to Congress that our efforts to arm Greece and Turkey had been very disappointing. I have been told in private conversation by Senators who have recently been in Greece that hardly a person has been killed in the guerrilla warfare between the Greek Government and the so-called Communists. Although the Greek army, which is armed by us, outnumbers the guerrillas ten to one, no real effort has been made to defeat them, the reason being that this may end the relief that we are now sending.

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The loan to Great Britain has been used to socialize the British Isles, and its use has been condemned by leaders of Great Britain such as Winston Churchill and Lord Beaverbrook and others.

Let us get this firmly in our minds: That not one dollar of this, or any other aid extended, will be repaid to us. They may be called loans, or they may be called grants, or they may be called aid—they will all be in the same nonrepayable category.

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It may last many years longer than we now believe. And, can we blot out communism with American dollars? Have we the financial strength to carry a substantial part of the world's population on our backs for an indefinite period? What will happen to America if we undertake this gigantic task and weaken our solvency?

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And let us be assured of this fact: that when we withdraw this aid, which some day we must do, we may then become the most hated nation, because it will be said that we have undertaken a job and have left it unfinished. There is no better way to make an enemy than to give for a time and then stop.

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It would be one thing if we reduced our expenses here at home commensurate with our foreign aid, but so far neither the President nor anyone in high authority has ever suggested that hand-in-hand with European relief should be a rigid federal economy whereby such relief could be financed by reducing our expenditures here.

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In this period of inflation we must always have firmly in our minds that the present tax revenue will continue only so long as inflation continues. This creates a very serious menace to the future solvency of our government.

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Our financial stability is far more urgent for freedom in the world than any program of international subsidies which would severely strain our economy. Fiscal instability in the United States would serve the enemies of democracy far more than any weapon that could be devised.

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Unless Congress, with the backing of the public, can re-establish control of expenditures and can place the nation on a sound road of paying off debt and lightening the tax load now bearing down upon the incentive for work and production, we are heading for serious trouble.

Who Dig the Coal

United Mine Workers Journal

THE policy of our burrocrats of nothing-is-too-good-for-the-Europeans, irrespective of how seriously it inconveniences us at home, operates in coal the same as it does in any other basic commodity and until our burrocrats are brought to their senses and the American people given an even break in purchasing the products they produce, we will continue to experience just such shortages of our choice products.

Neither the American coal industry nor the railroads anticipated that two years after the end of the war America would be called upon to supply Europe with coal. Consequently, the railroads did not visualize the demand for open-top equipment that would be required for large coal exports.

The payments for this coal come from money loaned European countries or credits granted by the United States. Foreign buyers have been choosy. Spending nobody's money, they have bid against each other for our choice coals and have run the prices up to a point that operators, wholesalers and retailers have increased the prices on all grades of coal for domestic consumption. The result is that the bidding up of the price on 31 million tons of export coal will cost the American domestic consumers and industrialists from \$250 million to \$500 million.

Indict the Slave State

Isaac Don Levine in Plain Talk

THE Government of the United States should launch a formal move in the United Nations, under the proper provisions of the Charter, for an international inquiry into the slave labor system operated by the Soviet Government. The support of international labor is perhaps the most coveted weapon sought by the Kremlin for the arsenal of communism. There are now available mountains of documentary evidence and thousands of eyewitnesses outside the Soviet Union to testify to the widespread network of forced labor camps throughout Russia. The precedents for international action against slavery have been established on many occasions in the League of Nations, with the consent of the Soviet Government. By convicting the Soviet regime in the court of public opinion of being the leading anti-labor power in the world we can demoralize its Communist International adherents everywhere, we can undermine to the point of destruction its fifth columns and reduce Stalin's military potential drastically. For to the Kremlin the loss of labor support is equivalent to the loss of many divisions in the field.

Notes on a Trip to Europe

By Ernest T. Weir

Chairman of National Steel Corporation

In a caustic report on Europe Mr. Weir casts in the wastebasket a great quantity of political and economic propaganda. As an industrialist he knew what he saw and as one who has traveled much in Europe was able to make comparisons. He had the benefit also of intimate interviews with many acquaintances in the world of business. Below are his notes on England, France, Germany and Switzerland, somewhat abridged, and then the main points of his general conclusions.—Editor.

MY purpose in making the trip was to compare present conditions in the countries visited with my recollection of conditions in the same countries on previous visits before the war, and to check by personal observation the impressions I have gained on international matters from my reading of newspapers, magazines, and books. No one, of course, can make a thorough study of wide areas in one month's time. There are, however, certain general aspects which become immediately apparent and lead to conclusions which would not be changed materially by any amount of time and study. It is with such aspects, in the main, that these notes deal.

In addition to numerous informal contacts with people of all sorts, I had extensive interviews with a group of outstanding men in industry and finance in the countries visited. These men are all important, practical business leaders whose observations were based on an intimate knowledge of the conditions applying in Europe generally as well as in their respective countries. In all cases, their discussions with me were without reserve; they spoke freely and frankly on all questions raised. Although the opinions of these men are represented in these notes, I am not at liberty to identify them because it was understood that our discussions were in confidence. For convenience and simplicity, my impressions of each country are presented separately.

France

Basically, the country looks good, with the exception of the cities and districts in Normandy, which suffered heavy war destruction. The country districts have been well cultivated and appear just about the same as the last time I was in France.

In Paris there is no outward evidence of distress. The city is well kept and looks the same as before the war, there being no destruction in the Paris district. The streets were full of people, stores

seemed normal, and people dressed about the same as I have always seen them in Paris, with no surface evidence of malnutrition. In restaurants the food is up to the normal standard and plentiful, and this also applies in the hotels.

Businessmen are very critical of the government and apparently have no confidence in it, considering it without leadership and entirely political. Too many people are employed by the government and the budget is out of balance. The rank and file of people with whom I talked—all types—feel the same as businessmen regarding their government and have the same lack of confidence.

The most serious thing in France is the black market in money. It is universal. You can buy this money in hotels and from certain headquarters. There are runners on the streets who will tell you the headquarters to go to. There is really no reason for any visitor paying the official rate for francs, except that on passports and any purchases you may want to take out of France a check is made as to where the money comes from. Consequently, you do have to buy a limited amount of francs at the official rate.

All government employees—who constitute a great number—and the workers in many plants are paid on the basis of the official rate. As against this, the cost of practically everything now has gone away up on account of the black market value of the franc, so that the working people are poorly paid in relation to the real purchasing power of their wages and, consequently, are in a bad condition. The important food products are rationed, creating a further black market in food. If the government would meet the situation fairly and squarely and devalue the franc, say to the basis of 250 to the dollar, it would be a great factor in improving conditions in France and helping the mass of workers. Also, it would stimulate buying on the part of Americans who visit France and would improve the country's dollar supply. Why the government does not take this course is hard to understand.

They are, of course, short of coal because they are not able to import from England and the Ruhr production is away below normal.

Taking it as a whole, the great problems in France are bad government, encouragement of the people to believe that they can live with less work, and the consequent failure of the people generally to produce.

Businessmen believe that France must work out its own solution by correction of the above weak-

nesses, and that if the United States continues to feed money into France under the present conditions it will not be helpful to them and will actually delay the return to normalcy in production.

France has the advantage over England in being able to produce practically sufficient food to support the nation and this, of course, is of basic importance.

It is the opinion of businessmen that the influence of communism is definitely declining, and certainly this opinion is shared by many of the rank and file of people with whom I talked.

Switzerland

This country is in marvelous condition. People are working actively, it is clean, well kept, and well cultivated, and I have never seen greater order in any country. It is evident that there is great contentment among the people. Swiss money is at a premium as against that of the United States—this being the only place in the world where this applies.

England

The country looks well and this applies to both the rural districts and the cities. Where bombing has taken place, as in London and other districts, the debris has all been cleaned up and in the cities, brick walls which hide the destruction to a considerable extent have been run along the pavements. People go about their business paying no attention to this condition, apparently having become accustomed to it.

In London the streets are full of people, dressed about the same as I have seen them in the past, with no evidence whatsoever of being inadequately fed. Stores are all open and have a good appearance. The theaters have capacity audiences all the time; in fact, it is said that they are having the greatest theatrical season in the history of London. Restaurants are full and the hotels are well patronized. We had no trouble securing ample food although the variety is not very great, but England has never been noted for good food as is France.

There is an absolute lack of confidence in the Labor-Socialist government. Every businessman I talked with endorsed this thinking. The men in charge of government, mainly labor leaders and impractical thinkers, are considered incompetent as individuals and inefficient as a group, and this is borne out by the record of ineffective governmental operation thus far.

These businessmen were a unit in saying that England must work out its own salvation. Better government and more work must be had to bring about the necessary greater production. They say that the United States cannot solve their problems by pouring more money into England and, in fact, that this would be harmful. The same lack of con-

fidence exists among the rank and file of people, outside of the workers who are in labor unions. The latter are so pampered and encouraged by the leadership that they think they are better off, and are not worrying about the general conditions. Outside of this particular group, I would say there is no faith whatsoever in the British government today.

There is no black market in England in money such as there is in France, but there is a black market in the day-by-day goods needed by people, which is natural considering the government's restrictions and controls. As an example of restrictions and controls, the manager of a fair-size, middle-class restaurant in Richmond told me they had to struggle with 1,227 orders and regulations and they did not know how long they could keep going. All business is handicapped in every way through this type of control.

There is no apparent evidence anywhere confirming the statement, reiterated in our Administration's propaganda, that there is danger of a crisis and collapse—and just what is meant by collapse I have never been able to understand. The problem in England is the same as in France—the need for better government, more hard work, and greater production. What England needs basically is more coal, and yet they are producing much less than before the war. The prewar production of coal was about 240 million tons a year which gave the country an ample domestic supply and allowed a surplus for export. Compared with this, they will probably produce only about 180 million tons of usable coal this year. This government, like others of the same type, completely misrepresents the true situation when it puts out statistics. For instance, they publish estimates of 200 million tons of coal this year but do not show that this figure contains 10% waste which would have to be deducted to put the 1947 output on the same basis as production before the war, which was after this 10% deduction. England has ample reserves of coal, and although their mines are not all modernized yet, there is no reason—if they work sufficiently hard—why their production should not come up to what it was before the war, at least.

In England, there is still a great amount of wealth, business ability, technical knowledge, and producing property. With intelligent support on the part of the leaders and the people, all of this could be used effectively to bring England back to where she could again take care of herself.

Germany

There is universal agreement on the part of English businessmen that Germany must be rehabilitated and a great increase in production brought about by allowing the German people full

liberty in the reconstruction of their country. I do not believe we can ever have a going Europe until this is started. The Morgenthau plan as applied in Germany by our country was one of the great crimes of history.

The report of Mr. Hoover, which was endorsed by the group of American businessmen that was sent to Germany, showed plainly what must be done. The Administration in Washington stated some time ago that they were putting this into effect. This is a complete misrepresentation to the people of this country because nothing has been done so far as I can find. The slightly amended Morgenthau plan is still in control. This is one thing that Congress must take steps to accomplish—that is, a proper program for the rehabilitation of Germany. We, of course, will have to advance money to Germany to bring that about, but I believe it is one of the safest places in Europe to put funds for reconstruction under a proper plan.

General

I am fully convinced that the United States must discontinue at once the practice of loaning or giving money to foreign countries without the most critical investigation of their program for the use of the money. This investigation must not be left in the hands of regular officials of our government, whether from the State Department or others. On the contrary, it should be put in the hands of industrialists and other practical men—according to the problem involved—who can make intelligent decisions, based on experience and free from political or diplomatic pressures.

I came back fully convinced that in France and England there is not the slightest danger of communism. In my opinion, the bugaboo put out by our Administration, namely, that unless we finance countries they will go communistic, is without the slightest justification. People who will stand for communism will go in that direction irrespective of what we may do to the contrary. I think Greece is an outstanding example of a waste of our money without in any way bringing into that country peace and stability.

Nobody can visit European countries with problems resulting directly from their forms of government and low production without coming back to the United States with a deep appreciation of its fundamental values and of the great things it has done to improve the standards of living of all of the people.

The conservative government that so long controlled England operated on the old-fashioned basis of wealth for a comparative few. At the end of the Victorian period, England was a great power and

the richest country in the world. Wealth from all sections of the world flowed into England. But productive enterprises of all kinds were largely controlled by rich families and, unfortunately, the younger generations of these families lost interest in work. In the main, they were interested only in the income of the properties left to them, such as coal mines, steel works, textile plants, and others, and made too little effort to maintain and improve them. As a result, English industry as a whole is not modern.

In England the cartel system controlled industry. That is, manufacturers would get together, establish uniform prices, and then submit them to the government for approval. The result was uniform prices that were high enough to allow the most inefficient operations to make good profits. These profits were largely paid out in dividends and very little was put back into the properties. This is the principal reason why England's coal mines, steel works, and other operations are to a considerable extent antiquated as compared with similar operations in the United States. Our standards have been constantly improved as a result of extreme competition which has forced the reinvestment of a great part of the earnings as well as new money. A competitive economy is the only one that can bring progress in any country, in my opinion, and this has not applied in England or in France but must apply if they are to progress in the future.

I am convinced that socialistic governments such as exist in England today, and in France to a considerable extent, can never succeed in bringing about prosperity and in giving the people higher standards of living. Invariably in this type of government authority is exercised by too many impractical and inexperienced people. One control leads to another until the whole economy is in a state of confusion. This failure to succeed brings about increasing discord within the government organization.

Our so-called diplomats in foreign countries are now being put in charge of matters involving practical production for which they are in no way trained. Their reports on situations are not to be depended upon as a result. Too much propaganda is used within government to support theories that come out of the discussions in which these diplomats sit in authority.

Europe is by no means doing all that it can to help itself. The various countries have great resources and man power, and the margin between the present and the potential utilization of these advantages would far surpass any conceivable help that the United States can extend. The genuine recovery of Europe will start on the day that the people there roll up their sleeves and go to work—and not before.

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