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Notes on the Contents

What Is Happening to the Law. Dr. Roscoe Pound is an eminent figure in the law and holds the American Bar Association medal for "conspicuous service to American jurisprudence." He was dean of Harvard Law School, 1916-1936, and has been a director of National Conference of Judicial Councils since 1938. Among his well-known books are "The Spirit of the Common Law" and "Social Control Through Law." He was born in Lincoln, Nebraska.

The London School of Economics. Dr. M. J. Bonn was adviser to the German Government on reparations after World War I, and professor of political economy at the Handelshochschule, Berlin. For six years he taught at the London School of Economics and is well known for his lectures in this country. He now is a British subject.

Science and the World of 1950. Professor Donald H. Andrews is director of chemical research at Johns Hopkins University. A remarkable fact about this paper is that it was written before the first explosion of an atomic bomb and yet reads as if it had been done since.

Trial by Combat. The Hon. John C. Knox is on the bench of the United States District Court, Southern District of New York, and has had much experience with labor cases.

The Keynes Letter to Roosevelt. This historic and forgotten letter reveals the contribution made by John Maynard Keynes to the thought of the New Deal. Afterward he watched in this country the first great trial of his deficit spending theory.

* * *

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

APRIL, 1946

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VOL. VIII, No. 2

Review and Comment

By the Editor

IT WAS not enough to lay before the American people the idea of a loan to Great Britain. It was an idea that had to be sold; and to sell it the Executive Government mobilized its powers of propaganda in a manner and with a technique to which we have become cynically accustomed. Nor was it enough to take the only ground upon which the loan could be magnificently defended—the ground, namely, that to share our wealth with England at this time in the life of the world is a political and moral imperative. That theme was not omitted, but the experts who decide these matters were evidently of the opinion that it had not the force by itself to overcome sales resistance. The propaganda, therefore, was played in several keys at once, with some very weird harmonic consequences. Generosity and self-interest were reconciled. That the loan would be exceedingly good business for this country was a constant phrase, invariable. Not only would it not cost us anything; it would make us even richer than we are. How would it make us richer? By creating immediately a very large demand for our surplus goods, this to continue through the period of restoration; after that by virtue of agreements presently to be entered into everybody's goods would move freely all over the world, international trade would enormously expand for that reason, and our share in it would be tremendous. To those who might object that in the meantime we should have built up Great Britain as a formidable competitor the answer was "Never mind about that. We shall be able to beat her in every way." There were those perhaps who were hardly convinced of this or who found some contradiction in it, even a moral contradiction, and one way to reach these was to touch their fears. The fear theme was led by Mr. Vinson, Secretary of the Treasury, saying over and over: "If England does not get this credit she will have to take drastic steps . . . that would inevitably divide the world into conflicting economic blocs. In blunt language, the world would be at war—economic war. The consequences to world prosperity and even to world peace would be dis-

astrous." The President said: "We are all aware of the dangers inherent in economic warfare." In that light, if it were true, you might take the loan to be an appeasement payment. What we are buying is peace—at least until the end of the fiscal year 1947, maybe for five years, or until the interest payments are supposed to begin. But why worry, so long as the source of American billions is inexhaustible? If at the end of five years the peace of the world were threatened again by economic warfare we should have only to lend more billions. Indeed, a great scheme of international blackmail might be founded on this thought. Any nation wanting a few billions would have only to threaten the peace. One might suppose this had already begun, and so explain the curious thing that happened to the Russian application for dollars. It had got lost or forgotten and was suddenly discovered in a Washington bureau drawer just at a moment when Russian-American relations were tense, and the Russians were asked to come and get the money. However, the amount involved was only one billion and the Russians ignored the matter.

FOR the enlightenment of members of Congress the Legislative Reference Service of the Library of Congress prepared a table of arguments for and against the loan, criticism and answer in parallel columns. Example: "CRITICISM. *The loan would be used to finance Socialism in Great Britain.* ANSWER. *The loan will strengthen the free enterprise system. . . . As prosperity increases in Great Britain the urge towards Socialism will become less.*" Privately financed propaganda for the loan took the same line, saying: "Those who fear Socialism should realize that the loan will strengthen British private industry and limit the necessity for Socialism. They should realize also that if England is denied the loan the prospect is that she will be pushed in the direction of Communism." That is to say that with our billions we not only can save Great Britain from economic disaster; we can at the same time buy her free of her own Socialism. So now you have a loan guaranteed to satisfy the nobility of our nature, subsidize the peace of the world, save England from Communism, redeem private enterprise, and at the same time make us richer and richer. What magic

there is in these American billions. Why higggle over the rate of interest or the probability of repayment?

REPAYMENT nevertheless is something people will keep on asking about. In the Treasury Department's pamphlet entitled, *Questions and Answers on the Anglo-American Financial Agreement*, this statement appears: "If we succeed in achieving a high level of world trade there can be little question as to the ability of England to meet her obligations under this loan." Then it adds: "Ultimately we must import more goods." That is to say, ultimately we shall have to receive payment in goods if we want to be repaid at all; and with that the Treasury snaps down the lid on a box full of political demons. Suppose we do not want to receive payment in competitive goods. Shall we keep a tariff against them? And if we put up tariffs against our debtors' goods because they are competitive will not our debtors say they cannot pay? That was the British case for twenty years against paying her World War I debts to the United States Treasury. The President's National Council on International Monetary and Financial Problems puts it far away, saying: "When net repayment begins, whether that be in a few years or many decades from now, it will involve an excess of imports," meaning that we must be willing to receive more goods than we sell, else we shall not get our money back.

ON THIS subject of repayment—and repayment—in competitive goods unhindered by tariffs—there is news from Lord Keynes, reporting on the Anglo-American Financial Agreement in the House of Lords. There he said: "All the most responsible people in the United States, and particularly in the State Department and in the Treasury, have entirely departed from the high-tariff, export-subsidy conception of things and will do their utmost, with, they believe, the support of public opinion, in the opposite direction. That is why this international trade convention presents us with such a tremendous opportunity. For the first time in modern history the United States is going to exert its full powerful influence in the direction of reduction of tariffs, not only by itself but by all others." That was not all. He was thinking also of something that was not in everybody's mind—not yet. With tariffs laid low, with all currencies interchangeable at the World Bank, and with international trade flourishing under the talismanic word *multilateral*, still would not the Americans have the advantage? Would they not be able to beat all others in competition owing to the weight of their wealth and the vast power of their mass production? The British Lords wanted to know. Looking at this question Lord Keynes said: "Fifthly—and perhaps this is the consideration which is least prominent in people's

minds—the United States is rapidly becoming a high-living and a high-cost country. Their wages are two-and-a-half times ours. These are the historic, classical methods by which in the long run international equilibrium shall be restored." Which means that when we arrive there, if we do, the competition will be in terms of living. The advantage will go to the low-wage country—to the people willing to work longer hours for less wages. That at least is what Lord Keynes thinks, and if he is right, then having in the first place shared our wealth with Great Britain we should be expected further to share also our standard of living.

THE impression has been created that in consideration of the loan Great Britain is committed to the American Government's commercial policy as set forth in the State Department's white paper entitled *Proposals for the Expansion of World Trade and Employment*, which was published along with the Anglo-American Financial Agreement. The aim of this policy is to set the trade of the world free under the overlooking wisdom of a great international trade authority. In the Treasury Department's *Questions and Answers* there is this statement: "The financial agreement is associated with a far-reaching agreement on commercial policy. The commercial policy statement [that was the State Department's white paper] proposes the establishment of an International Trade Organization which would aim to expand world trade by reducing trade barriers, avoiding trade discriminations and eliminating cartel practices." This impression, to say the least of it, is optimistic. Great Britain is not committed beyond a promise to consider such proposals sympathetically. This is what Lord Keynes said about it on reporting it to the House of Lords: "In working out the commercial policy, to which of course this country is not committed unless a considerable part of the world is prepared to come into it, and not merely the United States . . . your representatives have been successful in maintaining the principles and objects which are best suited to the predicaments of this country. . . . It is not true to say that state trading and bulk purchasing are interfered with. Nor is it true to say that the planning of the volume of our exports and imports is prejudiced. Exactly the contrary is the case. Both the currency and the commercial proposals are devised to favor the maintenance of equilibrium by expressly permitting various protective devices when they are required." Which is to say, if it says anything, that Great Britain reserves the right to do as she likes with her trade.

FROM the report of the National Advisory Council on International Monetary and Financial Problems to President Truman on March 1, the

newspapers drew such headline inferences as, for example: "Ceiling of \$7 Billions on Foreign Credit." There is no such ceiling. There is in fact no ceiling at all. The figure of \$7 billion was arrived at by estimating what the Export-Import Bank will be obliged to lend away to foreign countries up to June 30, 1947, and adding to that the proposed loan to Great Britain. If you add the liability of \$2,750 million toward the working capital of the International Monetary Fund and the liability of \$3,175 million toward the working capital of the International Bank you have already nearly \$13 billion. The International Bank will have a borrowing power of \$7½ billion, and most of its borrowing will have to be done in this country because there is no other country that has billions to lend. If you add this you have a total liability rising to something like \$20 billion, and still there is no ceiling. It is quite possible that the Export-Import Bank will not be able out of its present resources to satisfy France, nor Russia, if Russia decides to take her share of the billions. Save only the transactions of the International Monetary Fund and the International Bank, these global loans have no commercial or banking basis whatever. They are political loans; they are loans by the American Government to other governments and rest upon (1) the good faith of the borrowers, (2) the restoration of the borrowers to a state of solvency, and (3) the vague assumption that out of a great expansion of world trade they will be able to pay us back. In no case will they be expected to pay us back unless they can afford to do it. They will be able to afford it, says the National Advisory Council on International Monetary and Financial Problems—"provided an undue part of the national income of borrowing countries is not devoted to military expenditures." As to that we make no stipulations. England, for example, is perfectly free to do anything she likes with the proceeds of her loan. She can spend the money in other countries, she can lend it to other countries, she can invest it in her own atomic bomb plant if she wants to do that, or she can use it indirectly to meet deficits in her economy arising from her experiments with Socialism. When a sovereign country borrows money it is added to her general resources and to suppose that it can be earmarked in any specific manner is nonsense. Something of what Senator Tydings had to say about lending American billions for the rehabilitation of a world that now is spending much more than ever before in time of peace on armaments is printed in this number of *American Affairs* under the title, "Guns on the Table." If the world would throw away its guns it would need fewer American billions, if any.

BENEATH the violent turmoil on the face of the political waters two forces are in conflict. One force is the resolve of government to

stabilize the American economy continuously. Booms and depressions shall be no more. A durable equilibrium shall be achieved. And to achieve it, all the monetary, fiscal and other powers of government shall be employed, purposefully and with foresight. This is planning. The government has never been charged with this extraordinary responsibility. Simply, it has assumed it. The other force is the conviction in many minds that a continuation of price control, even if only for the duration of what may be called the postwar emergency, will constitute a popular sanction of the government's resolve, and that the principle of a planned economy will be thereby established. The idea of continuing price control only *until* is extremely plausible. Until what? Until supply has overtaken demand. But when supply has overtaken demand and with production everywhere going at a very high level, fear of inflation will be superseded by fear of deflation. If fear of inflation is enough to move people to accept price control, fear of deflation may very well cause them to demand it—to ask for floors instead of ceilings—and this is so because of the two evils deflation is much more disastrous to everybody. Those who now insist upon immediate decontrol, let the consequences be what they will be, are not all greedy and selfish, as Mr. Bowles thinks, nor yet so ignorant as not to know what they are asking for. Many of them realize that they may be asking for trouble. Yet they believe that it is better to meet the kind of trouble we know, and through trouble to arrive at a natural equilibrium, than to surrender the American economy to permanent government control, their conviction being that if price control is not ended now, and heroically, it will never be ended at all.

THE government created by the Constitution of the United States was one of three separate and independent powers, namely (1) the legislative power, which is Congress, to make the laws; (2) the executive power, which is the President, to administer the laws, and (3) the judicial power, which is the Supreme Court, to see that both the Congress and the President obey the Constitution, which is the supreme law of the land. Then Congress, finding itself unable to legislate intelligently about every complex and particular thing, began to delegate regulatory functions, as, for example, first to the Interstate Commerce Commission. This was soon followed by the delegation of legislative functions, as when a commission or a board was created with power to make rules and regulations that had the force of law. Thus the rise of administrative agencies and the appearance of what now we call administrative law. The third step was to invest these agencies with judicial functions, often beyond the review of the judicial power established by the Constitution. Administrative law is the principal

means whereby the executive power of government is extended. The most significant political omen of our time is the extension of executive government. We now have a fourth dimension of government that was never contemplated by the Constitution, and it is perhaps indestructible. That is what Dr. Roscoe Pound is talking about in the essay entitled, "Administrative Agencies and the Law," an abridgment of which is printed in *American Affairs* under the title, "What Is Happening to the Law." The full text will appear in pamphlet form as a supplement to this number. In March the Senate passed a bill "to improve the administration of justice by prescribing fair administrative procedure." That is to say that having created this fourth dimension of government Congress now is trying to improve its behavior. Section 9(a) of the law passed by the Senate reads: "In general: No sanction shall be imposed or substantive rule be issued except within jurisdiction delegated to the agency and as authorized by law." This, therefore, is a law to say that the administrative lawmakers shall obey the law. What law? Even for the legal mind it is extremely complicated. As for the layman, all that he can do is to subscribe for the Federal Register, read there every morning what the latest law is, and resolve to obey it if he can understand it.

Compulsion

NOT LONG ago there would have been no point in a man's saying, "What I earn is mine and what I do with it is nobody's business." Why should he assert what was taken to be one of the absolute rights of a free individual? He is the same individual still and has yet more enumerated "freedoms" than individuals possess anywhere else in the world, but in the change he received for his one gold coin of indivisible freedom there is something missing. That absolute right to do as he would with his own no longer exists. What is done with part of it now is the government's business. On the face of his pay envelope he may read how much the government has taken out and what it is for. It is for his own good of course, but he himself has nothing to say about it.

This is compulsory thrift, called Social Security. When the first Social Security law was being passed the word *compulsion* was forbidden. The idea was that the government, knowing how anxious you were to provide for your old age and the welfare of your dependents, had thought of a way to enable you to do it almost without feeling it, and you would never have to worry about it again. The way was to let the government do it for you. It was of course something you wanted very much to do and really meant to do, and if that were so, how could anyone say that you were being compelled?

So the law was enacted; and the enactment of the

first law is like the winning of a beachhead. After that it is no longer necessary to cover the attack with verbal disguise. In a little while the word *compulsion* quietly took its place in our political language. Over the President's message to Congress on the subject of a national health program *The New York Times* set the following headline: "Text of the President's Health Message Calling for Compulsory Medical Insurance." The President said in that message: "I recommend solving the basic problem by distributing the costs through expansion of our existing compulsory social insurance system." And then Senator Wagner, on introducing the national health bill, said: "Without exception voluntary plans are too expensive for the lower income groups—the people who are most in need of medical care—and there are too many illnesses for which care is not given under these plans."

Thus is indicated another entry on the face of the pay envelope showing what the government has taken out just in case you get sick and might have to worry about the doctor's bill. Under a system of compulsory social insurance the government is saying simply this: "Hitherto the young have supported the old, the well have supported the sick, the employed have supported the unemployed, but they have done it badly, either by voluntary insurance plans which were inadequate or by no plan at all. Hereafter the government will do it for you in a systematic manner and take each week out of your pay envelope the money you ought to have saved for old age and sickness and bad times but didn't—not always and never enough."

If it is good why should it stop at this point? One cause of ill health in the nation is faulty nutrition. People know too little about scientific nutrition, especially people in the lower brackets. Even when they have plenty of money for food they buy and eat the wrong things and suffer from an unbalanced diet. On a big cotton plantation in the south the company maintains both a hospital and a commissariat where only the staples of food are sold. When cotton is high the sharecroppers go to town and buy their food, and then the company's commissariat shuts up and the hospital opens. When cotton is low the commissariat opens and the hospital is empty.

Now if the government is going to mind the health of the people how can it fail to consider the matter of proper diet? Why shouldn't it say: "It is true you have been feeding yourselves, but how! Hereafter the government will take from your pay envelope the amount of money you ought to spend for food and put in place of it an order slip on your grocer and baker and butcher calling for just the right quantities of proper food."

Next, clothing. It is well known that people spend money foolishly for clothes. Why not a tax on the

pay envelope for a proper clothes budget? Then at last housing and recreation, so that we shall be a people altogether insured against the distress of poverty in old age and the hazards of illness, all of us well fed, well clothed and well housed, with a maximum of planned leisure as we go along, and then of course guaranteed jobs to provide the pay envelopes in which the government will find the money. The good life by compulsion.

Once it has been accepted that compulsion may be laid upon the individual to improve his life, on the ground that his voluntary efforts to improve it himself are unsatisfactory, there is no logical place to stop short of minding his life from birth to death. And the principle of it has already been accepted with the utmost complacency. The American Life Convention, the Life Insurance Association of America and The National Association of Life Underwriters jointly appointed two committees on Social Security, to explore and develop the best present-day thought on this most important subject. The committees have reported and their report has been accepted. The report says:

"There should be neither conflict nor confusion between Social Security, properly defined, and that type of security which comes from the exercise of personal industry and thrift. While the one represents the basic protection which can safely be provided through government programs set up by society at large, the other gives the individual the right and the opportunity to raise himself and his family to such level of security as his

industry and thrift dictate. They complement each other rather than conflict with each other."

Then follows this curious exercise in sublimation—sublimation meaning the process of converting solids into vapor:

"In current discussions one often receives the impression that the philosophy of Social Security is basically opposed to our fundamental ideas of individual enterprise and self-reliance; that it means the replacing of our traditional democracy by a form of socialism or totalitarianism; or that it necessarily implies that the world owes everyone a living. While certain proposals for Social Security do raise such issues, it does not follow that we must abandon our way of life in order to have effective Social Security plans. Nevertheless, a Social Security program must be carefully designed lest it afford a basis for these criticisms. Since such a program leaves the individual no choice as to whether he should come in or stay out, it must justify, economically and socially, the distribution of both its costs and benefits."

So the conclusion is that if costs and benefits are properly balanced the fact that it is compulsory—that it "leaves the individual no choice as to whether he should come in or stay out"—is really of no importance. When the drive begins to socialize all insurance the unanswerable argument may be like this: "Why not? A good deal of it has already been socialized by compulsory law with the blessing of the private life insurance companies, who have said that while voluntary thrift plans are good for the individual, compulsory thrift is good for society." G. G.

Patriotism

ELLA WISTER HAINES, sister of Owen Wister, had four sons. All four of them went to war. The one who did not come back was Captain John Wister Haines. He belonged to the Medical Corps, was captured on Corregidor and died a prisoner in the hands of the Japanese. Sometime before he died he wrote this brave and solitary testament, undated, addressed to no one. After the recapture of the Philippines it was found in the possession of a Japanese person and sent to his mother.

CONCERNING THE STATE OF MIND

THE state of mind of this prisoner is one of pride, tranquillity and optimism. This healthy mental state has been arrived at and maintained through an early and continuous American patriotism and the satisfying observation of my country's prosecution of this war and its aims.

The pride I feel is based justly and fairly upon the vast superiority of the American nation and its willingness to work concertedly for peace and freedom.

The tranquillity of mind comes to me, as it does to anyone similarly situated, from the firm belief that right is allied with might and the weak peoples of the world will not be shackled in slavery.

My optimism is drawn solely from the historical fact that America has never lost a war and shows no signs of being seriously embarrassed by this one.

(Signed) JOHN W. HAINES

Winds of Opinion

The bloodstream of humankind is poisoned by the plague of militant atheism, its body plundered by greedy leeches, its soul scourged by man's scorn for the laws of a just God and the just laws of man. The fever of hate runs high, the pulse of mankind is irregular, the heart of the world is sundered.—*Francis Cardinal Spellman.*

In this atomic age there is no such thing as self-determination in its absolute sense. For absolute self-determination means unrestricted development of atomic energy for destructive purposes, and, therefore, theoretically a new Hitler, or even a small nation, could conquer the world.—*Mr. Justice Douglas.*

American private enterprise, being a human institution, has plenty of sins to answer for. But as an economic system it has made the mistake of remaining on the defensive. Or if it has counter-attacked it has gone only as far as to argue that economic planning is hostile to personal freedom. But free enterprise's complete answer to all invidious comparisons with planned economy is that there has been as yet no such thing as planned economy. The planning in Soviet Russia, as in Hitler's planned Reich, has been for war and not for economics.—*Simeon Strunsky in The New York Times.*

The average American is the pack mule that goes along with the gold miner; he is the ox that hauled the prairie schooner, sure of his night's rest and a ration of food, but having no stake in the enterprise.—*Eric A. Johnston.*

Unless we do unto others as we would have them do unto us, our fate may be the doom written on the wall by the finger of God and proclaimed by Daniel the prophet. And unless we remain strong enough in character and power to oblige others to do unto us as we do unto them, we also shall be lost, enslaved and destroyed.—*Francis Cardinal Spellman.*

As a result of the war and the increase in wages that has taken place and that will take place in the near future, a new middle class has arisen which in turn means that there will be new demands for all kinds of commodities which did not exist before. All this augurs well for the future of the nation.—*Marcus Nadler, Professor of Finance, New York University.*

Administrative law has increased greatly in the past few years and seems destined to be augmented

even further in the future . . . Our history is not without a precedent of a successful revolt against a ruler who "sent hither swarms of officers to harass our people."—*Mr. Justice Murphy.*

Patriotism is one of the most profound and noble feelings of a nation.—*Information Bulletin (a publication of the U.S.S.R. Embassy.)*

It is foolish to wrangle over the site of the United Nations Organization because the UNO will not last long enough to make a site necessary.—*Mon-signor Fulton J. Sheen.*

Russia in self-defense has every moral right to seek atomic-bomb secrets through military espionage if excluded from such information by her former fighting allies.—*Joseph E. Davies, former Ambassador to Russia.*

There is always a crisis just around the corner.—*President Truman.*

Isn't it strange that we, with our system of human relationship, are the only people in the whole world to whom a distressed world can turn at this time. This should cause every American to pause and think well before he becomes a party to the destruction or breaking down of this great American system.—*Senator Hawkes of New Jersey.*

The road to economic perdition is paved with well-intentioned subsidies, all of them originally temporary but all of them becoming more and more permanent as year by year they further undermine efficiency and initiative.—*The Economist, London.*

This article is not to be taken as a precedent. On all three fronts, on politics and economics, at home and abroad, *The Economist* will continue to launch its attacks. But nothing can shake the three conclusions that emerge from this week's brief survey. The first is that things might be much worse. The second is that we are not dead yet. And the third is that the peace, for all its faults, will be on balance more enjoyable than war.—*The Economist, London.*

It is certain that on the continent of Europe liberalism has disappeared or is in the process of disappearing.—*Dr. Edward Benés, President of Czechoslovakia.*

I am firmly convinced that once an effective physical method has been discovered for destroying the material world, efforts to find similar meth-

ods to prevent such destruction will, in the long run, prove futile. We must devote our energies unsparingly to creating a world in which the conditions will be such that the desire to use any such destructive force will be completely eliminated.—*Basil O'Connor, National Chairman, American Red Cross.*

We found to our surprise that labor in Russia is operating under a piecework and speedup program which is so severe and so drastic that no labor leader in America would dare to put it before the members of his union and suggest it as a model in this country.—*Representative Mundt.*

The assertion that in the past free enterprise might have done better, whether true or false, is beside the point. We are concerned with the future. Has any other system so far contemplated, let alone tried, a greater capacity for achievement? That is the only relevant question.—*Employers' Federation of New South Wales.*

Modern wars must inevitably assume revolutionary aspects in Europe. That is almost the sociological law of development in the present world. When Hitler in his superficial erudition prepared the German war of conquest, he did not think of this fact.—*Dr. Edward Benés, President of Czechoslovakia.*

More than half our present woes have been due to our failure mentally to keep pace with the industrial revolution, which is still working itself out. How shall we keep pace with atomic energy? We cannot rely indefinitely upon the health-sustaining power of inertia.—*J. R. Glorney Bolton.*

I believe that a new culture is developing which we have felt stirring for some time and which we should feel more strongly if we were less prejudiced against it; it is the Atlantic culture. There was a Mediterranean culture in Roman and even in Byzantine times, more identifiable than a European culture. I do not believe in the "fatality" of civilizations. The Napoleonic adventure undoubtedly hastened the rise of English power in Western Europe, and it seems as if the Hitlerian adventure may well be the most grimly effective means of hastening the rise of American power (and, of course, of Russian power as well).—*Andre Malraux.*

The city, viewed as a machine, is burning out its bearings and slowing down.—*The New York Times.*

Political Tears

From the *Congressional Record*

DURING the filibuster in the Senate against the Fair Employment Practice Act, forbidding discrimination by employers against any person on grounds of race, creed or color, the following exchanges took place:

MR. TYDINGS. Mr. President, I have been asked by some of my constituents if the authors of the bill will consider and approve an amendment to section 3, paragraph 1, after the word "ancestry," to add the words "or because of his membership in or lack of membership in a union."

If there is to be no discrimination, if there is to be that measure of sheer, honest thinking and forthrightness which all the proponents of the measure seem to advocate, I will ask any Senator who favors the bill as it stands, if he would support such an amendment?

MR. BALL. I will support the Senator's proposal.

MR. TYDINGS. I thank the Senator.

MR. MILLIKIN. I will not support it.

MR. TYDINGS. There is another courageous man.

MR. TAYLOR. I will not support the Senator's proposition, simply because I am for the working man. I know that he will be paid a dollar a day for 14 hours if he does not have unions. The union is worthless without a closed shop.

MR. TYDINGS. The Senator from Idaho says no one shall work in this country who does not belong to a union. We have three brave men so far. We are making headway.

MR. GURNEY. I will support the Senator's proposal as a separate piece of legislation.

MR. TYDINGS. We have four men here who can stand up and be counted.

MR. TAYLOR. May I ask: Is not democracy predicated upon rule of the majority?

MR. TYDINGS. The rule of the majority! The rule of votes. Majority to hades. The rule that has brought more bloodshed and turmoil and cruelty on this earth than any other thing I know of.

MR. TAYLOR. It is not a question of whether it is right or wrong; it is a question of what the majority wants.

MR. TYDINGS. My conscience, bad though it may be, is not controlled by the majority. This is simply a political shenanigan, and with few exceptions the Republican Party is determined to make capital with the colored vote. Let us have some truth in this body; that is all. Are Senators on the other side of the aisle burning with any sense of great wrong, because some segment of our population is being mistreated, and are tears of sorrow flowing down their political cheeks? Not at all. Sheer politics!

Let's Go the Great Errand*

Virgil Jordan

IF WE are to emulate the honesty of Lincoln we must admit to ourselves that in the deepest sense we have lost this war more utterly than we lost the last one, in terms of the issues, economic and moral, by which we justified it. The German nihilist, Nietzsche, used to say that a victorious war justifies any cause; and the Nazis tried to prove it; but the American people have never believed it. They gained a glorious victory on the field of battle and on the production front, but many among them must know in their hearts today that they have suffered humiliating defeat in the field of ideas and ideals. Though they fought and won this war in the high hope of securing peace, plenty and freedom for themselves and people everywhere, the plain truth is that today there is less of all these things, less hope of them and indeed less aspiration for them, anywhere in the world than there was before—even in America. A few months after it had crushed the most formidable foes the world ever faced, the mightiest armed force in history had disintegrated and melted away like the snows of yesteryear, its members inspired to protest almost to the point of mutiny against continued assignment to a task their instinct told them had become meaningless, futile or false through the stupidity, cowardice or treachery of their political leaders.

In place of the lasting peace which we hoped our power would bring, we see a progressively more desperate appeasement of a power which has been made to appear to us somehow stronger than our own, more formidable and sinister than the enemy we so recently crushed, while on a planetary scale a martial parade of weapons more immense, mysterious and menacing than were ever imagined, supported by armament expenditures many times larger than the world has ever seen, provide the setting for the opening scene of the diplomatic opera bouffé of peace being staged by the insolvent successor of the League of Nations.

In place of the plenty which they hoped the promise of peace would bring we have a planetary epidemic of political compulsion called economic planning which everywhere cramps and cripples, or ruthlessly exploits and dissipates, the productive powers that have survived the destruction of war.

And, worst of all, over most of the two great continents where they fought to safeguard and feed the flame of political freedom and civil liberty for people who had not seen its full light or lived in it long,

an iron curtain of utter darkness and despair has been drawn by a dictatorship more ruthless, a tyranny more total, than any of those people had ever experienced at the hands of their enemies. This iron curtain of ignorance and oppression, as Winston Churchill called it, is so securely and subtly fastened down that none within or outside dares lift it; but rising from its somber folds are those fumes of falsehood and fear, of delusion, deceit and dissension, of confusion, conflict and conspiracy that poison the atmosphere and darken the spirits of men in most of the rest of the world where the air of freedom, faith and truth still lingers, though even there are many, who, in innocence or malice, spread or peddle the fatal perfume we complacently call communist propaganda.

THE process by which this tragic condition of moral insolvency and economic paralysis has been accomplished in which the American people find themselves today in their foreign relations and domestic affairs is complex, subtle and many sided, and it began long before the war or its end. The first or most important steps were taken in the fatal hundred days during which the foundations of that form of national socialism we call the New Deal were laid. We know now that it was naïve to suppose that anything essential in that New Deal revolution was indigenous, native or natural to the mind or morals of America, no matter what the emergency of depression that disguised or excused it. As we witness its outcome today we recognize at last that it was as much and as fundamentally a foreign invasion as though, six years later, an army of Nazi soldiers, administrators and economists, or Soviet commissars, had landed in Chesapeake Bay and occupied the capital. Every essential economic idea and moral principle which it applied and implied was imported from Europe or Asia, profoundly alien to the spirit, purpose and experience of the American people, even as long ago as 1933, though perhaps or apparently not so much so today. The doctrines of the disappearance of the frontier, of the onset of economic maturity, of oversaving, of government spending, deficit financing, compensatory fiscal policy, the mixed economy and of government control and economic planning—to mention some of the successive slogans and semantic catchwords of the New Deal—all these are the Dead Sea fruit of the fatalism and despair of the Old World, with which its academic and political dope peddlers have drugged and bewildered the American people during that

*From a Lincoln Day address before the Union League Club of Philadelphia

decade, until the emotional unity and the economic stimulus of the war's great crusade saved them, and the New Deal itself, from the economic and moral bankruptcy which seemed to be the inescapable outcome of the waste, confusion, conflict and stagnation it produced. Whatever may have prepared the way for it before, this decade of the New Deal which imported the old delusion of omnipotent government into the mind and spirit of the American people divided them in understanding and aspiration more deeply than anything in their history had before, and the cleavage it produced aligned them unconsciously but inevitably thereafter with the fantasies, futilities, fatalities and conflicts of the class struggle of the Old World.

So it is that having emerged from this war for world freedom without winning it or even ending it, we are living today by an economic organization and under political principles which are in nearly all essentials the same as those that have impoverished, wasted and destroyed the Old World beyond hope of redemption, with a government of unlimited power determining wages, prices, profits, production, employment, consumption, investment, management and ownership of property, for today and the indefinite future, practically by personal decree, or according to some plan or purpose whose meaning is beyond our comprehension and the responsibility for which has passed beyond our control. Many Americans who have the living memory of freedom in their minds fear or hate these things as falsehood or tyranny, but many others who have long forgotten, if they ever knew freedom in the alien climate which once shaped their spirits, hail them with hope or support them with passion as the promise of prosperity and security to come; and in the eroded soil of dissension and misunderstanding that fills this chasm in our American consciousness the dragon seed of domestic and international conflict is being sown and our power at home and abroad is being weakened and dissipated by those who expect to profit thereby.

THAT so many in America accepted the superstition of omnipotent government and became dependent upon its apparatus during the decade which culminated in the war means much more than a drift down the tides of mass ignorance, indifference or indolence, on which the traditional demagogue of the Old World or the new has so often floated his craft and fished in troubled waters. In our time and in this place it is the most important expression of a deliberate, carefully designed and continuously directed world-wide conspiracy to capture and maintain permanent political power over the masses of men everywhere, by crippling, paralyzing and capturing for its purpose the sole remaining source and center of that power, which rests today in the prodigious production power of a free

America. Its technique today employs on a planetary scale all the subtle arts and stratagems of trickery and terrorism practiced on the Steppes of Asia for centuries past; but its purpose has no precedent or parallel in history. It is not merely to make sure that the ideas and ideals of the Old World shall reoccupy and conquer America; but to prevent those of America and the power they imply from liberating the Old World from its bondage, for those who seek to rule it today know that they can do so only if they can make and keep America economically and morally impotent at this historic moment, when the secret of atomic energy both as productive agent and a political weapon rests in her hands, and as she prepares and hopes to release for the purpose of peace, plenty and freedom the colossal power she acquired through the war.

WHEN we consider the source of such a conspiracy to sterilize the strength and paralyze the purpose of America, the alarming image of Communist Russia and its manners, morals and economic institutions comes automatically to our minds these days; but the fact is a paradox significant only because it shows how far the effort to foster confusion and conflict, which is the chief weapon of that conspiracy, has been successful. Soviet Russia may, and probably does, serve today as its psychological and strategic center, but she could not support or implement it alone. Russia is a primitive, impoverished, predatory Asiatic despotism, the most complete the modern world has ever known, as Franklin Roosevelt said in 1939. It has lived and ruled for three decades by plunder and by exploitation of an immense mass of human capital in the form of political prisoners, war captives and slave citizens, and its effective power in war or peace rests today almost as literally as it did in the time of Tamerlane and Attila on a vast pyramid of human skulls.

Though this massive totalitarian structure is framed in meaningless economic dogmas which none of its people can understand, and decorated or disguised with borrowed or stolen devices of modern technology which they have not the temperament, training or intelligence to master, it is empty of any real capacity, power or purpose except that of plunder and oppression. Soviet Russia is insolvent in everything but the resources of insolence, intrigue, treachery and terrorism, bankrupt of all assets but brutality and bluff, which since the war she has capitalized to the utmost in the forced march of Communist imperialism through Europe, Asia and the Arctic, almost to the shores of Alaska. If this were the only enemy we had to fear, it would always have been easy for Uncle Samson to face it, if he had been armed with something more than the jawbone of an ass when he sent his statesmen to meet the Soviet commissars and bargain with them about

war and peace in the Oriental bazaars they have been running in Teheran and Yalta, San Francisco, Potsdam, Moscow and London.

IT SEEMS to me much more important to understand the total situation out of which this conspiracy has arisen and the kind of dilemma it presents to us, if we are to make any honest, wise and courageous decisions upon the problems of domestic and foreign policy that face us for the future. We shall have to make some soon, for the course of events abroad as well as conditions at home bring us closer day by day to the time when we shall have to decide as a nation whether we are determined to use our power promptly to liberate ourselves and the rest of the world from the peril of unlimited government anywhere in it, or will make unconditional surrender to the system of ideas about the State which we set out five years ago to destroy in Europe and Asia and which has invaded and conquered us while we were doing it abroad.

This is not merely or mainly a domestic decision, for it will determine where we shall stand in the world of totalitarian States with which this war ended, and it may finally decide our survival and freedom as a nation, and whether or not or how soon we must be prepared to fight again for it. In that sense, the fundamental issues of domestic and foreign policy are inseparable, or indeed identical. They come down to the decision whether or not this country is to remain within the international system of compulsory collectivism, and be kept permanently imprisoned in the iron circle of socialist states which this war has created throughout the world. Every event in the field of foreign affairs from Hot Springs and Bretton Woods to Yalta, San Francisco, Potsdam and London makes it evident that this is the underlying aim of all international policy towards the United States, and our government has so far shown no power or disposition to oppose it. Instead, it has been trying to buy international peace under a kind of global blackmail in which it has been an accomplice by bargaining away our birthright of freedom bit by bit here at home.

We must realize by now that totalitarian—and today that means communist—imperialism has conquered Europe and Asia even more completely than the Nazi and Jap armies did. It is not merely that the Soviet legions have overrun the Balkans and the Baltic countries and turned out the lights of an entire continent from Calais to Korea, and from the Arctic to the Adriatic, but that in most of the rest of Europe, in Italy, France, and England, no Red armies were needed to destroy economic freedom and civil liberty. It had been done for them long before by the politicians, business men and labor unions of these countries. Though we did not know it, and could not be told it in the early days of the Great Crusade, our armies abroad were fighting for ideas—

for a philosophy of life and a conception of government—which, in fact, were dead nearly everywhere in the Old World long before the war began.

What is more important is that all of the ideas for the postwar world which are accepted today in Europe, especially in England and Russia, assume it as an imperative condition for their success that this country be brought within the same system permanently, and every device for shaping American thought and feeling to this end is being used today, as they have been during the past decade.

The European and Asiatic statesmen who are planning and building their postwar world on the foundation ideas of National Socialism with a facade of new names, having destroyed the Nazi military power with our aid, know better or sooner than the Nazis did that the world cannot live for long half under socialist serfdom and half under economic freedom. This recognition is no less urgent in the long run for Uncle Joe's totalitarian autarchy than it is for a nation under parliamentary government like England, who must live by trade or starve, and who knows that her postwar planned economy cannot compete in any free markets of the world with the productive power of a free America.

So I say to you that the character of American political institutions and her economic system after this war have become as much a crucial concern of the rest of the world as those of Germany were at its beginning, or as those of Russia were after the last war, but this time in reverse fashion, because in a postwar world of socialist states the idea of economic freedom must remain a subversive revolutionary force internationally as well as internally, just as Bolshevism was after the last war. This fact will furnish the key to most problems of international relations as well as those of domestic policy for another decade or two. Whether America can be kept within this global structure of compulsory collectivism which has been erected around her political institutions and economic organization during this decade, or whether she is to resume life within the traditional framework of economic freedom and competitive effort where she left off—this is the central issue for the postwar world. It underlies not only the larger issues of international peace and reconstruction, but also the practical domestic problems of reconversion and prosperity for us.

THE ESSENTIAL but unseen truth in the situation I have been describing is that in the rest of the world socialism and totalitarianism, with all their myths and pretensions of magical power to produce plenty and peace, are economically and morally insolvent. The dreadful dilemma that confronts them is that they must either cripple or prey upon the productive power of America, become our dependents or our destroyers, which in either case must mean the end of political power for those who

rose to it by promising their people the paradise of collectivism when it should become planetary in scope. Isolation has become as impossible in our time for totalitarian socialism or compulsory collectivism as it is for free competitive capitalism. The brutal fact is that the war left us facing an encircling world of beggars or robbers, whom it has bankrupted of spiritual and material resources for peaceful, self-supporting life henceforth. The global organization in which they pretend to have banded together to safeguard peace and freedom was busted before it began, and today it has plainly become an elaborate apparatus for the purposes either of international parasitism or collectivist conspiracy, or both. To imagine this country surrendering any sort of sovereignty to any kind of world government based upon this or any other organization of nations, under current conditions, in view of their character and purposes, and in face of the actual economic and military resources which we command, is an idea which can be the product only of stupidity or treachery. It could be proposed only by men who are either very blind and dumb, or who are ambassadors of brazen banditry.

All the world knows today that UNO is morally and economically insolvent. It has not merely evaded the vital issues of real disarmament; that was ruled out at the start, except for the conquered countries. It has evaded even the issue of exercise of any effective form of police power to preserve the peace, and has actually become an instrument for promoting internal revolt and external conflict among its members. It is naïve to suppose, as some assume, that it is or will remain a mere debating society. Not only are all its members, except America, today taking full advantage of its camouflage of parliamentary mechanism and strategy to arm themselves to the teeth in feverish haste against the ultimate test of force in which alone they rest their faith. It is being built—and indeed now seems to have been originally designed—as a massive device directed to the end of immobilizing, sterilizing, sapping and dissipating the power of a free America in the determination of world affairs, and all our policies and disposition toward foreign appeasement and philanthropy, as well as our internal difficulties of reconversion, are being promoted and exploited to that end. So deeply has this conspiracy penetrated our political life that, in these years when important congressional and presidential elections loom large on the calendar of our days, there are men whom we otherwise assume as sincere and intelligent Americans who willingly or unwittingly, out of blindness or ambition, lend themselves to its purpose.

FOR our part, the grim dilemma that faces us is equally plain and much more painful. For the moment, as we have emerged from the war, we have in our hands, almost alone, the decisive in-

struments of overwhelming military and industrial strength which we don't know what to do with. If we were to put forth upon the world the full force of our economic and political power, for the only purposes for which we can conceive using it, the whole structure of compulsory collectivism in the rest of the world would collapse like a house of cards and the mirage of unlimited government would vanish. If we do not make the fullest use of our resources for the purposes of peace and plenty, the internal dissension, confusion and conflict upon which the collectivist virus feeds, and which is being fostered among us with feverish speed, will spread and increasingly cripple and paralyze our power and finally destroy us. In the kind of world we live in today it is profoundly true that the kind of power America commands is a power that must be used to the purposes of peace and freedom from which it sprang or it must perish. It is a dynamic force which must unfold itself to the end of its destiny or die.

THERE is pathos as well as pride in the patent fact that the American people have neither the temperament, impulse nor the talent for any form of imperialism. It is something meaningless in the American climate. Whenever in their history they have been drawn or driven—sometimes by the devices or accidents of domestic conditions—into an imperial struggle in the rest of the world, they have done the job of ending it for the day and then have always abandoned it and gone back to their own. There has never been anything the rest of the world could give them as good as what they have gotten for themselves here at home; there is nothing they have wanted from it except to be let alone. This is still true; but this war was the last in which they will ever be able to feel that way.

The decision they face today is, I submit, fundamentally different from any they have had to make in the past, for this time the world cannot and will not let them alone. They have conquered it in fact; they will now be forced to subdue it in spirit and practice to their purpose of peace and freedom or it will destroy them. If anyone complains that the dilemma implies or drives us to a type of imperialism which must end as all others, though its purpose be different, let them make the most of it, for this time we have no other choice, and we will not have that much longer unless we make it now. We must ask the world that surrounds us not merely to accept our power, but to accept our purpose of peace and freedom for our own sake as well as its own, and use it to that end.

Let us, under whatever name you may impute to it, make the only choice we can make and proceed to the inescapable task before us swiftly and in the full confidence that at this crucial moment we still command the power to implement and complete it. Let us without delay have an end to

compromise, appeasement and retreat, and dare to repudiate all that has been done to that end. Let us stop the erosion of our economic and moral resources at home and abroad in the hopeless struggle against the pervasive conspiracy to sterilize and waste them. Let us offer them freely to the world for a price that is worthy of our power and our purpose. Let us refuse them to anyone who is using them, as every other nation is today, for any other purpose. Let us demand that, whatever else the new league of nations may do, it must deal with the essential issue of disarmament without further delay or evasion.

If we believe, as many in both America and England do, that UNO is not and never can be the kind of international instrument to which the police power of maintaining world peace can safely be entrusted, let us face the fact ourselves and confront the world with it frankly and fearlessly. If we should find that England has so far slipped or been shoved down the slope of collectivist impotence, or is so hopelessly crippled by the problems of her archaic imperialism that she is unwilling or unable to make more than a sleeping partnership with us in the enterprise, let us prepare to undertake the task of policing the world for peace ourselves alone, till—and I doubt it would be long—we enlist other willing volunteers. Let us then alone or together implement the purpose promptly and plainly in three specific ways.

Let us first offer the utmost capacity of our economic power for reconstruction to every people who will undertake to abolish all national military expenditure and disarm down to the level of the local constabulary. Let us, secondly, demand the unlimited right of continuous inspection and control of every industrial operation and process or public

policy which may have the most remote relationship to armament and warfare. And, finally, let us make, keep and improve our atomic bombs for this imperative purpose; let us suspend them in principle over every place in the world where we have any reason to suspect evasion or conspiracy against this purpose; and let us drop them in fact promptly and without compunction wherever it is defied.

If you say that this is too daring or idealistic a destiny for any nation, even America, to embrace, I admit it could happen only once in history; for the dreadful fact is that only we could do it at all or ever; and we can do it only now, today, if we have the understanding and the will. Everything else the American people have—impartiality and purity of moral purpose, limitless potentials of economic power which will be realized only if we are willing to employ them for this purpose. Disarmament is the fundamental and imperative condition not only of peace, but of freedom and abundance in the world today, and it is the most momentous circumstance in human history that at this instant of time—never before or after—America, and only America, has the power to impose it, and perhaps forever remove from mankind the curse of Mars and its inseparable companions, poverty and tyranny.

America and all that it connotes or signifies in human welfare will finally be forever erased if in this historic moment it cannot and does not mobilize, manifest and put forth the full moral and economic power which it can now command to oppose the destructive forces that seek to undermine and dissipate its purpose, and to compel acceptance of the ideal of peace and freedom to which we assumed its living sacrifices were dedicated in the war we thought we won.



THE dark ages may return. The stone age may return on the gleaming wings of science; and what might now shower immeasurable material blessings upon mankind may even bring about its total destruction. Beware, I say. Time is plenty short. Do not let us take the course of allowing events to drift along until it is too late.—*Winston Churchill.*

Guns on the Table

Senator Millard E. Tydings

Speaking to his resolution: "That the President is requested to invite the governments of all nations to a conference which shall be charged with the single duty of entering into an agreement to achieve world disarmament on land, and sea and in the air by January 1, 1950."

WHAT a travesty! Here we have the spectacle of the great nations of the world renouncing war forever as an instrument of national policy, and proclaiming their allegiance to the UNO in its operations to keep the peace, at the same time parading their armed might on land, on sea, and in the air, on a scale never before witnessed on the face of this earth. The contestants trying their issues before that body all have their guns lying on the trial table, and whenever they are displeased with the decisions of the UNO they either shoot or threaten to shoot at any opposition, although they signed an agreement before coming into the UNO courthouse that they would abide by the decision of the court. It is such transparent hypocrisy in its present state that if in this armed world we rely on the UNO for the settlement of disputes we are relying on one of the weakest institutions, as presently constituted, that human beings have ever created.

* *

Since Germany and Japan are not to be permitted to rearm, why do the five great Allies maintain a combined navy 1,000 times greater than the remainder of the world, a combined air force a thousand times greater than all others added together, and a combined army 10,000 times greater than all such existing forces in the remainder of the world?

It is as plain as the nose on one's face that the great armed forces of our own country are being maintained principally for possible use against Russia, Britain, France, or China, since Germany and Japan are to be kept disarmed.

Is it not plain, too, that Russia is maintaining her armed forces for possible use against Britain or the United States or France or China?

Is it not as certain as anything can be that armaments and personnel are today being maintained by each of the five great friendly powers, not against the defeated countries which have already been occupied, but against each other? We and all our recent allies are now maintaining our armed might against each other. Yet all the Allies have sworn to settle all disputes by peaceful means, and never, never, never again to use war or the threat of war as an instrument of national policy.

* *

What becomes of the principles and purposes of the UNO as it attempts to enforce its decrees, when the position of the United States, or Britain, or Russia on any international question is backed up in

each country by an invincible military establishment.

What becomes of the pledge made by each nation that it will "discharge in good faith the obligations assumed" if huge armed establishments are to be maintained by all of them, just in case?

The Charter specifies: "All parties shall refrain from the threat or the use of armed force." If this clause is to be observed, do not the existing world-wide armaments make of it but a mockery? Is not their very maintenance a threat to all other nations, great and small?

Sadly enough, you will not find the words "world disarmament" anywhere stated in the purposes and principles of this world organization.

* *

I remember, all too regretfully, that at the Washington Naval Disarmament Conference our country entered into an agreement for the control of naval armaments. I am wondering if we are about to enter upon a similar experience with regard to the atomic bomb. Ostensibly, the objective of our country is to reduce our atomic bomb strength to one of equality with that of other countries. If successful in this enterprise, we will again embrace disarmament by example. And again we will be the only example.

* *

It will be recalled that following World War I, mostly between the years 1920 and 1930, the people of America bought \$14 billion worth of foreign bonds. With this borrowed money, foreign governments were able to maintain great armaments, as it released funds that would not otherwise have been available for such purposes.

* *

To illustrate, in 1927 Japan borrowed \$300 million from our people and in the same year spent \$200 million on her total national-defense program. Thus, we furnished Japan with \$100 million more than the cost of her entire national-defense program in that year. Other examples are readily available in many cases.

There is now pending before this body a loan to the British of \$4,400 million. This loan is likely to be followed by requests from Russia, France, China, and other nations for similar treatment. There is no restriction, direct or implied, in these proposals that such borrowed money shall not be used for armaments. Such a proposal would be difficult to carry out, for even if such money were not used

directly for armaments it could be used indirectly for that purpose.

Thus it seems apparent that if these loans are granted, the borrowed money will assist foreign nations in maintaining their gigantic armaments with the hard-won dollars of the American people. Thus, it will relatively weaken the ability of our government and people to defend themselves should war strike us again.

* *

We are talking atomic bomb disarmament now when we have the atomic bomb. We are lending money to the British, or are about to lend it to the British and to the Russians and to the French with which they will again build up their armaments. And what are we doing? We are bringing our boys home. There are insistent demands that they come home faster than ships and trains can bring them. In other words, we are beginning to disarm ourselves, and proposing to lend to other nations of the world money which will provide them the means for rearming. That is what happened after World War I. If in the light of those circumstances we permit history to repeat itself in this sad regard we are dooming our own country to possible oblivion, and the world with it.

Every country in Europe will maintain as large a military establishment as its revenues and borrowings from other countries will permit it to shoulder. I do not think it fair to our country to make to any nation loans which are to be used either directly or indirectly for the maintenance and building up of armaments while we ourselves are scaling down our own very rapidly.

So far as I am concerned, I shall not vote for any of these loans—I might as well serve notice now for whatever it is worth—until it is proved to me that the money we lend nations for rehabilitation will be used for that purpose and not for armaments directly or indirectly. We tried maintaining the armaments of the world from 1920 to 1929, and we suffered a severe penalty.

* *

We know that if World War III comes with the atomic bomb it will transcend a thousandfold the dreadfulness of World Wars I and II combined. We are told that in the next war the battlefield will constitute but a small part of the area through which wanton death and indescribable destruction will rage. The work of twenty centuries of building and progress will be undone in a single day. We are told that when that war is over, such security as will then exist will be in the keeping of armed bands, fighting only for survival. Such a war would wreck the earth itself, and would be the end of everything we value.

With the atomic bomb and the other flying bombs in existence, as the Senator and I know them to be, the nation which sees a war coming and does not hit

first, without a declaration of war, is giving hostages to fortune. Even the strongest nation in the category faces almost certain defeat if the enemy is well prepared for the attack. Those who have represented the War Department before our committee say it is perfectly possible on the day war opens, following the pattern of the Japanese attack, for several hundred planes to make thirty or forty American cities their targets, and in a single day to wipe them all out before any of our planes could get there. It is my own opinion that one bomb—not ten but one—as it will be developed as the years unroll, and with Nagasaki as a background on which to predicate an opinion—that one bomb dropped anywhere in New York City would kill every man, woman, and child within the confines of that city in the fraction of a second. And here we are talking about control of the atomic bomb. God save the mark!

* *

What we must control is not the atomic bomb, not the scientists who make it, but the ability to make war. In short, we must control ourselves, and the people of all other nations must do likewise.

There is no other method. There is only one road to peace and unless we take that road our institutions, our species, this planet itself, will not survive.

We no longer have a choice in the matter. Either we outlaw war and make that mandate work, or there is no survival for anyone. I believe we ought to do one thing or the other. The United States must either keep fully prepared in all categories, including the atomic bomb, or we must have total disarmament, including the atomic bomb, for all nations of the globe, ourselves included.

We will not contribute to the peace of the world by further disarmament by example as is now proposed. What will conduce to the world's peace is for us either to be so strong that all nations will respect that force, or for us to join with all other nations in world disarmament, for in such a world we would have no need for force to gain our rightful ends.

If we are going to support the UNO, then all nations should be willing to disarm. If we are not going to put our faith in the UNO, then it is imperative for our own national security that we never again be caught unprepared.

Without world disarmament, we must be prepared, UNO or no UNO, to spring instantly to our country's defense. The next war will leave us no time to get ready. If we are not ready at its outbreak, we will be too late. We must have the biggest army and navy and air force in the world, more atomic bombs, and the men and weapons which will insure their quick use in our hour of need. We must pay the crushing taxes. We must have universal military training. We must reduce our scale of living in order to do this. We must submit to unbelievable regimentation.

The Socialization of British Coal

A Digest

From the Debate as Reported by Hansard

THE DEBATE in the House of Commons on the bill to socialize the British coal industry was pensive and gray. A dream had played upon men the trick of coming true. The features were authentic and that was all. Fifty years had elapsed. But was it only that the dreamers had aged? The voice now saying, "I am your wish," had a kind of hardness in it and the cutting edge of reality; certainly it was not the voice that had been heard in the dream, saying, "the mines for the miners," as if to make life sweet it was necessary only to get rid of the hateful private owner.

Mr. Dalton, Chancellor of the Exchequer, did his best to recapture the spirit of the dream, saying:

"This is an historic day in the grim story of the British mining community. It is a day for which many a miner and many a miner's wife have dreamed and waited, and longed, and worked for many years. More than 50 years of political education have been needed to bring this day. At long last we have got it. . . . The government have decided that among the industries of this country, in a great forward march of Socialist accomplishment, the miners shall lead the way."

Facing him were men from the pits, whose dream it was, but they were without ecstasy and thoughtful in a miner's peculiar way. Anthony Eden, representing the Opposition, made them uneasy when he said they were only swapping one boss for another. Could they be sure the State would be a better boss than the private owner?

It was not a debate really. It was a statement by the Socialist Government of what it was going to do, and then a discussion of it, with no possibility whatever that anything could be said to change the government's mind or amend its intentions. Opposition, therefore, was a matter of form only, with apparently no purpose other than to disclaim responsibility for "what we shall see."

The Plan

Mr. Shinwell, the Minister of Fuel and Power, made the official elucidation.

First, a National Coal Board, invested with power, to conduct the entire coal industry, together with all desirable ancillary works, such as coking plants and industrial railways—these to be nationalized in a parallel manner because it would be "extremely foolish to acquire the colliery undertakings while leaving profitable ancillary assets in the possession of private owners."

Secondly, Consumers' Councils, without any real

power, to mind how the National Coal Board discharges its primary responsibility, which is that of "making supplies of coal available in such quantities and at such prices as may seem to them best calculated to further the public interest."

Getting rid of the private owner—this seeming in the dream to be the one great difficulty—had turned out in fact to be a mild and amicable business. Buy him out with government stock. That was the answer.

Mr. Shinwell made it very simple:

"Compensation will be settled in three stages and the amounts payable will be determined by an impartial body at each stage. First of all there is the global sum which is to be determined by the tribunal, working under the agreed terms of reference set out in the White Paper. That global sum will be divided up by a Central Valuation Board into district allocations which, in their turn, are divided up among the individual undertakings within each valuation district."

The Cash

It was not so simple, however, when it came to the question of what the expelled private owner would do with his government stock when he got it, or rather, what the government would permit him to do with it—the question being: could he cash it or would he have to keep it? The answer was yes and no.

This Mr. Shinwell explained:

"Payment of compensation would be satisfied by the issue of Government stock except in certain cases. When a company receives its stock in compensation it will either remain in existence as a company or else pay off its creditors and shareholders. When its assets have been transferred to the Board, it will no doubt wish to wind up its operations, and in that case if it pays off its creditors and shareholders it must do so in stock.

"What I have said on satisfaction of compensation applies only to companies. Where individuals receive compensation direct, payment will be made in stock but the individual will be free to cash it as and when he likes. The same applies to all the ultimate recipients of compensation such as shareholders paid off by colliery companies. I gather from the financial columns and economic journals that it is not the payment in stock that causes criticism, but payment in stock whose owners cannot, if they are companies, turn it into cash immediately. But what is the real extent of the hardship? It is true that colliery companies are not allowed to destroy the principle of payment in stock by cashing it all as soon as they get it, and paying off their share-

holders in cash. Instead, they must pay off in stock. But when shareholders and individual recipients of compensation have received their stock they can cash it if they like. No doubt a substantial section of them will stick to the stock."

As the subject of compensation continued to be discussed and the terms of intricate finance began to enter, signs of worry appeared among the miners and their representatives. Did it not seem that the owners protested too little? The coal industry was sick—very sick. Everybody knew that, and none better than the miners. Then why were the owners so willing to sell? Was a Socialist Government bailing them out? Mr. Brown said: "Let us have no feathered nests for the tyrants of the past." He himself would not go so far as to think seriously of confiscation, and yet:

"I am not very happy about the references we hear to a willing buyer and a willing seller. I very much doubt whether there would ever be a willing buyer for the coal industry as one large concern. It may be that there would be a willing buyer for certain pits, but not for the whole lot, taking the good with the bad—there is too much bad. I hope that we shall not pay—if I may mix a metaphor—a going concern price for a white elephant. Even if it is a white elephant we must have it, but let us pay a white elephant price for it."

Under the terms of the bill the National Coal Board would be answerable to the Minister of Fuel and Power, and he in turn would be answerable to Parliament. Mr. Shinwell admitted that a bad Board, a bad Minister or a bad Government could easily wreck the economic structure of the coal industry, with irreparable damage to the whole country; but this he could not imagine because, for one reason, he himself would see to it that the Board was a good one. Then a great program of reorganization and scientific mine development would be evolved, and for this purpose a capital sum of £150 million (\$600 million) would be provided by the government. There would be also a program of education and research. Young men would be trained as engineers, technicians, and administrators—and to love the coal industry. And if there should come at length to be a profit it would belong to the government, and as—

"... if the Government will be the only shareholder it is right that they should be able to decide how any surplus derived from the Board's activities is to be disposed of, whether the reserve should be increased, whether prices should be reduced, or capital be repaid. This is a reasonable proposition."

Reality

And thus the shape and meaning of the dream, undergoing birth in the world of reality, according to the Minister of Fuel and Power. A state monopoly; then an all-wise, all-competent central authority, charged firstly to make the sick coal industry well and efficient, and secondly, to conduct it in the pub-

lic interest. But the Opposition, with its superior air, desired *public interest* to be defined. By whom should it be determined and how? Was there such a thing simply as a public interest? Was there not first—if it came first—the interest of the nation, wanting cheap coal for the export trade in a competitive world? Was there not, secondly, the interest of the consumer, also wanting cheap coal to burn in his furnaces and grates? Thirdly, was there not the interest of labor, wanting higher wages, shorter hours, better status and improved working conditions. How were these interests going to be reconciled by a state monopoly?

Businesslike

The Minister of Fuel and Power said the industry would be conducted of course in a "businesslike manner"; and then in what followed the miners sitting there heard their new boss, that is to say, the government—their own Socialist Government—discussing the economics of coal in terms of costs, productivity per man hour, wages and prices, supply and demand, just as the old private boss might have discussed it. The government could not say what the costs were going to be. The National Coal Board would have to find them out. Meanwhile, there could be neither a wage policy nor a price policy. Touching wages, the Minister of Fuel and Power said: "It is expected that the existing collective agreements covering wage rates and conditions applicable to the industry will be projected into the new organization and the rates to that effect will accordingly be made." Least of all could the government see beforehand how the miners were going to behave.

A miner spoke, Mr. Grey of Durham. It was his maiden speech. He said:

"There has always been, and there is still today, a lamentable and unrealistic attempt to apply the test of output to the industry, and to suggest that a high output means a thriving, happy industry, and a low output denotes adverse conditions. I agree that output is important in an economic sense, but there are other phases of this industry which are of no mean import."

In all of this long and tedious bill to socialize British coal there was not so much as a faded flower between the leaves to be a reminder of the dream slogan—"the mines for the miners." The Minister of Fuel and Power said:

"I have not provided in the bill for statutory consultations with the workers employed in the industry. Such consultation is certain, and statutory provision is superfluous. . . . So long as human nature remains what it is, there will always be the possibility of disputes. But we shall seek the fullest cooperation in order to produce a more amiable spirit so that the existing conciliation machinery will be effective."

Then he added:

"One of the principal reasons for nationalizing this

industry is the prospect that State ownership provides for improving the conditions under which the mine-workers have labored, and for raising their general status. While for reasons which I have explained there are no statutory obligations under the Bill to establish consultative machinery, the Bill expressly charges the Board with responsibility for the advancement of the safety of persons in their employment, and the promotion of their health and welfare."

A private mine owner might have said all that.

The coal miner is a special manifestation of British character. One of the curious questions seriously raised was what he would do with his anger when there was no longer the image of the private owner on which to vent it.

Mr. MacMillan said:

"By this bill all they do is to exchange one set of owners for another, and rather more remote owners—what I might call the 'nine bright shiners' of the Coal Board. If the miners disliked the owners, they disliked them not as individuals. On the contrary, they liked them very much. They only disliked them as owners. I am not quite certain that once you have removed the buffer of the proprietors between yourselves and the miners, that you will not attain some measure of this unpopularity."

Mr. Eccles said:

"Up to now, if the mine workers' representatives got a no from the Mining Association, they could go back to the pit and use any language they liked in laying the blame on the coal owners. Suppose they do not get full satisfaction of their demands in future, they have got to go back to the pits and put the blame on this great and glorious Government and its great and glorious legislation, for which they are largely responsible. That is going to be a most disturbing element in the industry."

The Right To Strike

And then there was the question of what happened to the right to strike. Mr. Rikes made here a devastating contribution:

"In choosing the coal industry as their first step to socialization, the Government have chosen a path which will lead them into great danger. No Socialist government, in view of the propaganda which they have poured out amongst the miners during the last 30 or 40 years, dare do anything less than advocate nationalization. The miner has been taught, time after time, to believe that all the injustices and many of the difficulties he has to face are connected with the question of ownership. If, when the ownership is changed, there does not come an amazing—and I think, an impossible—change in the way in which men can work and output be increased, there will be a great deal of bitterness down the pits.

"An article was written the other day about the attitude of men in the coal areas at the present time. It said: 'Today, Labor Members of Parliament are being very much embarrassed by the questions which they are being asked by those engaged in the coal industry in

their constituencies. The main question is: can we strike against the new boss?'

"The right answer from my hon. Friends opposite would be, 'well, of course you have the right to strike, but you will have no need or desire to strike against the community when you own the mines.' But they do not own the mines, and they are beginning to realise it."

Fatalism

It was left for Mr. Eccles, near the end, to make the perfect statement of the Opposition's fatalistic attitude. He said:

"The Bill will go through, and then the country will witness what it wants to witness, which is the working of this great experiment in nationalization, and I hope that it will have a fair and full trial. It is of great public importance that it should, because what the public wants to know and is exceedingly anxious to know is whether a State monopoly can produce coal in the quantity and of the quality which is needed at home and for export and at prices which are neither subsidized nor exorbitant. It is a very good thing that this experiment is going to take place on a scale and under a Government which will leave no room for argument about the value of the results or about the responsibility for the results; and I for one am glad that the Mining Association accepted the principle of nationalization and even offered their assistance in the change-over. I am not at all surprised that the Government are a little nervous about it, because it means that there will be no scapegoat on the side of the owners when the results of the experiment are seen—and are seen to be extremely bad.

"I return to the most difficult question: What are the prospects that the labor force in the mining industry is going to back up this monopoly? Many reasons, some good and some bad, have been offered for the continuing reluctance of the miners, or a section of them, to work regularly since their political leaders got their Mandate to nationalize the mines. It would be of interest to hear the comments of the President of the Board of Trade when he is told that the miners will not work extra shifts for the love of austerity, but they would very likely do so for an Austin-Seven which he will not give them.

"This brings me to what I consider to be the fundamental difference between the Socialist party and the Conservative party in their attitude towards nationalization. We differ on the question of how much loyalty a State monopoly can inspire. On this side of the House, we do nothing which warrants a dramatic change in human nature that will suddenly make men and women want to serve unselfishly a State monopoly. Hon. Gentlemen on the other side of the House take a different view. I appreciate their difficulty. They would like to introduce Socialism into this country without the aid of military discipline, and in a society of free men and women that cannot be done."

The vote was 359 to 182, and so, in an atmosphere of common foreboding, the bill to socialize British coal was passed.

Is It Is or Is It Ain't?

Study in the Semantics of a Law

THAT extremely controversial piece of legislation known as the "Full Employment Act of 1945" was passed by the Senate and sent to the House. The House rejected it entirely, and after many hearings enacted a bill of its own, so unlike the Senate bill that it seemed impossible that the two could be reconciled. The House sent its bill to the Senate. Then both the Senate bill and the House bill were submitted to a conference committee composed of Senators and Representatives with the usual instructions to bring back if possible a compromise that would be acceptable to both sides. The result was a conference bill entitled "Employment Act of 1946." With almost no debate and no excitement at all this conference

bill was enacted and now it is the law. The language was settled but the meaning was not. The meaning was left unresolved. Those who had bitterly opposed the original Senate bill said they had won their fight; those who had sponsored the original Senate bill to begin with said, "Ha! We got what we wanted after all." And so everybody was happy over a piece of legislation that may be construed as you please. The fight against the original Senate bill was led by Senator Taft. The author of the original Senate bill was Senator Murray. Both supported the conference bill as it passed the Senate, and hereunder is what each of them said about it on the floor of the Senate on the day of its enactment.—EDITOR

Acceptance

Senator Taft

As a member of the conference committee, and as one who has been struggling with the bill since last August, I am very glad to urge Members of the Senate on this side of the aisle to vote in favor of the conference report. There is now nothing in the bill to which any Member of the Congress should take exception.

Senator Murray

The conference measure, as explained by the distinguished leader of the majority in submitting the conference report, contained all the essentials of a full employment program.

Full Employment

Senator Taft

The conferences which were held by the conferees were fairly numerous. First of all, we were doubtful about the words "full employment" . . . Therefore, there is now no full employment bill, and the bill which we now have before us allays all the fears of those who thought that the actual conditions were being misconstrued.

Senator Murray

First of all, the conference bill declares a full employment policy. The House conferees succeeded in eliminating from the bill the words "full employment" and other forthright language. They did not succeed in eliminating the fundamental concept that the Federal Government has the ultimate responsibility for creating and maintaining conditions of full employment

The Right To Work

Senator Taft

In the second place, the bill which passed the Senate contained the words "the right to work." From the beginning, a violent controversy took place in the Senate as to whether there was such a thing as a right to work . . . Those who have any doubt on that score may eliminate their doubt, because there is no right to work provided for anywhere in the conference report bill.

Senator Murray

It is obvious that the right to work is implicit in the language of the conference bill, which declares the government's responsibility to create and maintain employment opportunities "for those able, willing, and seeking to work." Implementation of the right is the important thing.

Assurance

Senator Taft

The third controversy that arose, both in the committee and in the Senate, was over the word "assurance" or "guaranty" by the government of a job . . . Anyone who has any fear on that score need not vote against the conference report on that ground, because the word "assurance" is completely eliminated from the bill, and by the bill there is no longer any assurance of any kind pinned on the government.

Senator Murray

Section 2 provides that the responsibility of the Federal Government is one of "creating and maintaining" conditions of full employment. Although the term "assure" which appeared in the original bill and the Senate bill is not used, the words "creating and maintaining" are substantially equivalent.

Compensatory Spending

Senator Taft

The original bill contained one thing about which I was most concerned, the provision embodying the so-called compensatory spending theory; . . . but no one need be concerned any longer, because there is no provision for the compensatory spending theory, no suggestion in the bill anywhere that the Federal Government has to unbalance its budget to cover the difference caused by spending anywhere from five, to ten, to twenty billion dollars, as might be necessary to meet the calculations which were required by the original bill.

Senator Murray

The original bill committed the Federal Government, with certain qualifications, to provide whatever federal investment and expenditure might be needed, as a last resort, to maintain full employment. But the conference bill does not refer to specific methods of affecting the level of employment. It makes no mention of federal investment and expenditure, public works, loans, monopoly and competition, taxation or any other specific function of the Federal Government. Instead it calls upon the Federal Government to "coordinate and utilize all its plans, functions and resources" to achieve the desired objective. This concept of utilizing all the vast resources of the Federal Government for the purpose of maintaining conditions of full employment appeared in none of the previous versions of this measure. It is a constructive and statesmanlike method of defining the government's obligation to its citizens. I regard it as an improvement in the bill.

National Budget

Senator Taft

A national budget idea suggested the same thought. Anyone who is concerned about that can be completely at ease, because the words "national budget" are completely eliminated from the bill, and all that is provided for in the bill is an economic report.

Senator Murray

Second, the bill provides an employment, production, and consumption budget. The term "national production and employment budget" was eliminated and the term "economic report" used instead. However, the content of the national production and employment budget has not been changed in any material fashion.

Who Won?

Senator Taft

I do not think, either, that the Republicans on this side of the aisle need fear voting for the report because of apprehension that it might be construed as a victory for President Truman, because President Truman endorsed first the original bill containing all the provisions which have been completely eliminated.

Senator Murray

I urge that those who in the past have declared that full employment is a policy foreign to our system of government and cannot be maintained under our system, to set aside their doubts and join with the sponsors of this legislation in an all-out effort to preserve our country from a major depression five or six years hence.

Instrumental Money

By Garet Garrett

Our financial system is becoming simply too elaborate and too complex for the political system within which it operates. Both private financial institutions and financial practice are too complicated for government by law—that is, they are not sufficiently amenable to effective control through the democratic process.—*Henry C. Simons.*

The primary source of the inflation danger which overhangs the democratic economy on all fronts is the vast accumulation of currency and bank deposits at the disposal of the public as a result of the fact that far too much of the cost of war was financed through the creation of commercial bank credit and not enough was financed out of taxes and the savings of the public.—*Marriner S. Eccles, Chairman of the Federal Reserve Board.*

We can keep inflation under lock and key.—*Chester Bowles.*

But with this, money, too, is at the end of its success; and at last the conflict is at hand in which the civilization receives its conclusive form—the conflict between money and blood. The coming of Caesarism breaks the dictature of money and its political weapon, democracy.—*From the money chapter in Oswald Spengler's "Decline of the West."*

THAT world of free capitalism in which credit banking was a private enterprise and the price of money was the rate of interest is no longer there. Its functions have been seized and its laws are suspended. In place of its laws there is Treasury policy, and Treasury policy is from day to day. The government now controls money, credit, interest and debt for political and social ends. Thus the people's monetary millennium has arrived, bringing with it the following unpredicted phenomenon:

Floating in the economy like an atomic bomb is a lawless money mass that represents buying power and nothing else. It is spendable, but there is nothing to spend it for. Why is there nothing to spend it for? Because its equivalent in wealth does not exist.

Take as an illustration the one vividly employed by Thomas I. Parkinson, the case of the carrier *Hornet*, which cost the government \$60 million and now lies at the bottom of the Pacific. If the government had borrowed the money from individual investors on long-term bonds the loss could be charged to war and the individual bondholders who provided the money could be paid back gradually over a series of years out of the government's tax revenues. That would have been the orthodox way. But the \$60 million was not borrowed. The money was created by the banks against the security of a like amount of government bonds. This \$60 million of created money was then paid out for materials and labor to build the *Hornet*. There is nothing left of the *Hornet*; but the \$60 million of cash is still in the hands of the people as buying power unspent, and the \$60 million of bonds are still in the hands of the banks.

Normally a dollar in your hand is evidence that somewhere a dollar's worth of something has been

produced and does exist and is waiting to be bought. These *Hornet* dollars represent something that was produced but no longer exists and cannot be bought at any price. So therefore what is the situation when the holders of the *Hornet* dollars begin to spend them? "They are asking," says Mullendore, "for the completion of the deferred half of a half-completed exchange," and this means that as they spend the money they take goods out of the market in exchange for pieces of paper that no longer represent any kind of equivalent in existing wealth, leaving therefore a vacuum.

The Creation of It

The facts about this explosive mass of buying power are not in dispute. First, how was it created?

As a formal answer Mr. Eccles' statement is the perfect one. Too much of the cost of the war was financed through the creation of commercial bank credit and not enough was financed out of the taxes and the savings of people. But that is a banker's description of method only. Method is but a way of doing something. Before method there must be idea and design.

The idea was to socialize the credit machine, and it was done; and with that the character and meaning of money changed, and almost unawares the ways of what Spengler calls "money thinking" were altered. The function of money as a medium—that is retained. But money is no longer a measure of anything, and this may be proved by the reflection that if the war had gone on to cost \$600 billion or \$1,000 billion the same method would have worked. Its possibilities are infinite.

What happened was that the government took control of the money market and hired its banking

mechanisms. After that it was free—the government was free; and its command of money as a medium was unlimited. A sovereign government in monetary distress may simply print the money and force it into circulation, and there is no limit to that so long as the people will take it; but that was the old way with a bad history, and, moreover, in that way the laws and conventions of money are not changed at all. The new method required the use of mirrors, and it took three to establish the illusion that the government was borrowing money from the banks at a very low rate of interest, with no accounting for the very strange fact, and for a while no wonder about it, that the more it borrowed the less interest it had to pay. If you take away the mirrors the illusion breaks and then you see:

(1) that the government itself was the source of the money it borrowed from the banks;

(2) that it fixed the price of what it borrowed;

(3) that to disguise what it was doing it paid the banks a fee to create the money and called that fee the rate of interest.

When the banks had written down on their books a government deposit, secured by government bonds, the government wrote checks against it, and then the bureau of engraving at Washington printed the money and through the Federal Reserve System it was passed to the banks in the form of currency when, if and as they needed it to cash the government's checks. Thus the rate of interest on government bonds pledged to secure government bank deposits could be very low, because it was not a natural rate of interest but in effect a fee—a fee paid to the banks for the service of monetizing the public debt. The banks were not lenders really; they took no risk whatever. They were agents creating money for the government.

Why?

Why the government did it in that way, instead of to print fiat money and spend it, as was done in the Civil War, which would have been more honest and forthright and very much cheaper really, is a question that leads to speculation. The technique of the new method had been learned during ten years of deficit spending. You may suppose that there was some temptation among the Treasury experts to explore its possibilities in a big way. The result however would be the same if there had been in fact the shrewd intention once and for all to destroy the institution of the free money market. A free money market could survive any amount of financing by means of fiat money. It could value and price the fiat money as it priced and valued the Civil War greenbacks. But now the American banking system is so entangled, so deeply involved and so dependent upon the government, that it can have

no longer any policy of its own. Even its solvency is in the hands of the government.

Nothing like this had happened before since the origin of modern banking, and it is perhaps irreversible. As recently as World War I governments pledged their credit and borrowed money in the free money markets of New York, London, Berlin and Paris, with no power to fix the rate of interest. Where now in the world is there one free money market, one not controlled by government?

"Like it or not," says Henry C. Simons, "commercial banking is really done for; and the sooner we face the fact the less trouble we shall encounter in the future . . . As the banks turn more and more into holders of governments, the old anomalies largely disappear but more obvious ones arise. Acquiring governments, they merely expand the money supply, which the government might better do directly without interest outlay. They thus pervert a fiscal operation for mopping up existing money into one of creating additional money. Moreover, they seemingly force the government, out of solicitude about their solvency, to keep its own bonds highly liquid and thus in effect to convert its own bonds into money equivalents."

The fact that this process of "monetizing public debt" was immediately profitable for the banks, and caused the earning power of their capital to rise, could lead very easily to a wrong conclusion. It was Treasury policy—not bank policy. The banks had nothing to say about it; and they were all the time aware of the problems that were being created and begin now to be faced, such, for example, as the possible ruin of commercial banking and the political situation that is almost certain to arise when it appears that the commercial banks of the country are receiving more than one third of the United States Treasury's total annual interest payments on the public debt. Aubrey G. Lanston, writing in the *Harvard Business Review*, acutely says: "It is not a question of whether the net earnings of the banking system are greater or less than can be justified on economic, banking or equitable grounds. The point is that Treasury interest payments will cause the earnings (before taxes) of banks to continue to increase and will thus make the relationship of interest payments and bank earnings a matter of increasing political concern."

The Size of It

The second set of facts about the explosive mass of buying power now floating in the economy relate to the size of it. The figures all agree and are not in dispute, and yet statements of magnitude differ, and this is owing to what you may choose to include. If you take only the currency in circulation, plus active bank deposits, you arrive at one magnitude. If you add convertible government bonds—bonds that were sold to the people with the idea that

they represented deferred buying power and could be converted into cash after the war—you arrive at a much greater magnitude. The relative result is the same either way. That is to say, whether you take only currency and demand deposits, or take the total liquid assets in the hands of the public, which includes all currency, all the bank deposits and all the convertible government bonds, and then make the comparison with, say, 1937, you see that the increase in potential buying power is somewhere between four- and five-fold. The increase in currency alone—currency in the people's hands—is more than fivefold.

Now relate this monetary phenomenon to the physical phenomenon of production. Say that production during the same time has doubled. It hasn't actually; potentially, however, a doubling of it may be imagined. Then you have what?

The production of things for which money can be spent is doubled; buying power in the hands of the public has increased four- or five-fold. There is the problem.

The Fuse Is Fear

But there is much more of it. With no statistical additions whatever this mass of buying power may suddenly expand. Velocity will expand it. The saving fact about it so far has been that its V-factor is low. "V" stands for velocity, and the velocity of money means the rate of turnover, or the number of times the same dollar is spent and changes hands in a year. The buying power mass now is lazy. Its constituent particles, meaning dollars, turn over very slowly. But if the particles should become activated, as by distrust, fear or panic, and each dollar began to turn over three or four times faster, it would be as if the mass itself had expanded three or four times suddenly, and that would be the explosion; then you would get what is called a runaway price inflation.

It may be observed that distinguished representatives of the economic thought of the country, all facing the same set of facts and none of the facts in dispute, nevertheless differ extremely in their expectations. They agree that the mass is explosive and they agree that if it does explode the consequences will be terrific. But on one side are those who think it will not explode and on the other side those who think the explosion is inevitable and that our whole economic system may be thereby shattered. The first believe that if the activation of the mass can be postponed it will be absorbed gradually into a great savings account and become harmless. The second believe that the longer the explosion is postponed the worse it will be.

Such disagreement in the argument, from premises all alike, leads to cynical comment upon the use of economic forethought. The explanation is that the sequel is in fact unpredictable. It will be

determined by two factors that lie outside the field of economic thought. One of these factors is mass behavior and the other is government policy—both unpredictable.

If you were able to predict mass behavior you would know whether there is likely to take place a "flight from money." If there is no danger of that, then there is much less danger, if any, of uncontrollable price inflation. The headlong flight from money, as for example in Germany, occurs only when two fears are present together—fear of money and fear of scarcity.

So far there is almost no sign of any popular distrust of the dollar. People's faith in their money is unbroken. It is true that the rising price of equities on the Stock Exchange and the rise everywhere in real estate values do reflect the behavior of "hedging against inflation;" but this is the behavior of an intelligent minority, and even these are expecting not so much a debacle of the dollar as simply a rise in prices. Furthermore, how could one, who would, really flee from the dollar? Where is there any place to go? The Germans with their marks could buy dollars or pounds or francs. Who now would exchange dollars for any other money in the world? It is the other way around. The whole world is wanting dollars, and this fact no doubt is powerful support for the dollar's prestige in the American mind.

Nor is the second fear present—the fear of scarcity. Notwithstanding present shortages, everyone believes that once the wheels begin to turn and in a little while there will be plenty of everything, even surplus. It is not simply having excess money in the pocket that moves one to buy in a reckless manner. To the money in the pocket you have to add the thought that what one sees in the window today may not be there tomorrow, nor anything in its place.

This may be said to exhaust the hopeful view. On the other hand, one little breach of the people's faith, one bad incident, might act as a spark to activate the explosive mass.

Is Production the Answer?

The second factor lying outside the field of economic thought is government policy. The only policy that may be recognized is one from day to day. It rests upon one man and one assumption. The one man is Chester Bowles, who says that if the Congress will stand by he will defy inflation with only the equipment of Ajax. The one assumption is that if price control will work, that is to say, if Ajax can stand fast until the great American power of production has been released, then the explosive mass will expend its force gradually in the markets in a manner both harmless and beneficial, and inflation will be defeated. "Full production," says the President, "is the greatest weapon against inflation,

but until we can produce enough goods to meet the threat of inflation the government will have to exercise its wartime control over prices."

This is the complete official thesis, intoned with every rising of the sun in Washington, endlessly repeated in the press and by radio; and there is no doubt that people generally accept it as a maxim that production will prevent inflation.

Not to speak of the danger that price control may prematurely blow up, or that Mr. Bowles will one morning find himself holding the lock and key with his monster gone, cage and all, the idea that production alone is the complete negative answer to inflation remains to be examined. The first question is: How much production? If the potentiality of production has only doubled while buying power has increased four- or five-fold, how can the equilibrium between supply and demand be restored by production alone. Let that be passed. The defeat of the assumption takes place on other ground.

Self-generating Buying Power

It is an elementary economic fact that production generates its own buying power. With prices standing still, any increase of production will at the same time and equally increase the means wherewith to buy what is produced. Therefore, when you have increased production and have at the same time by that act generated enough buying power to clear the market, what will be left over to satisfy that mass of excess buying power that is floating in the economy? What will it buy? Indeed, there is the danger that as you increase production in a prodigious manner, with all the attending boom phenomena, the constituent particles of that floating mass will get excited and begin to turn over very rapidly, whereby, as we have noted, the size of the mass will be increased by velocity.

Professor Robert B. Warren calls attention to this danger, saying:

"But the same forces which make for an increase in trade and production make also for an activation of previously accumulated savings—for the dis-hoarding and spending of the money created by the war deficits and hitherto held idle. The result might readily be that while every dollar of increase in production would create a dollar of demand on its own account, a dollar of demand from previous savings might appear alongside of it as a competitive bidder."

If production is not the answer, if production will tend only to allay the fear of scarcity and thus lessen the danger of a flight from money, then the problem is left as it was. The dangerous mass of excess buying power is still there, floating in the economy, and nothing whatever has been done about it. The nature of it being purely that of monetary phenomenon, it is quite rational to say that it must be acted upon by monetary measures. In that case it becomes an aspect of the problem called "manage-

ment of the public debt," and logically so, since part of it is in the form of immediately convertible government debt while the rest of it—the currency and the bank deposits—represents the "monetization of public debt."

As everybody knows the size of the national debt, that in itself is not the trouble. In the hands of individuals and nonfinancial institutions who would keep them for investment, \$300 billion of government bonds, with maturity spread over a great number of years, would not be an intolerable burden. The menace lies in the character and ownership of the debt—so much of it in the form of floating debt, meaning bills, notes, certificates and short-term bonds that have to be redeemed within a year; so much of it, more than one-third of the total, in the hands of commercial banks who have created money against it; and so much of it in the hands of people who regard a government bond as a deferred money order, intending to cash it and buy the things they did without during the war.

If there is anything that might seem exceedingly evident it is that what we need is a settled and conservative monetary and fiscal policy, touching both the things that are immediate and things that will take many years to work themselves out. Why shouldn't such a policy be made pressing business? What are the difficulties?

The question is naïve. There are no intrinsic difficulties. Financial intelligence is not bankrupt; only its authority is ruined. Such a thing as rational finance no longer exists. Social science has swallowed it up. Many are the institutions founded upon rational finance that now appease ideas in which they bitterly disbelieve or go along with tendencies which they think can lead only to disaster, and do it because they are helpless to resist.

New Ways of Thinking

In the first place, a rational monetary and fiscal policy would almost certainly be deflationary, and for that reason alone tabu.

In the second place, a policy that was sound from the point of view of rational finance; a policy, for example, founded upon the tradition of a solvent balance sheet and no deficit spending, one that should limit the power of government to manipulate interest, money, credit and public debt for social needs, would be received in Washington with cries of derision.

There is a new way of thinking about these things, a new philosophy and a new technique. A settled national debt would be a pure loss to the government. Debt now must be dynamic. Then it becomes a powerful instrument of fiscal policy, and the use of fiscal policy is to govern the economic system in a way much better than it was ever governed by the natural laws of free capitalism—and this to the

end, first, that booms and depressions shall be abolished, and second, that wealth shall be distributed in a more equitable manner, the government seeing to it.

The Doctrine

This is the new doctrine. There are many orthodox statements of it. The formal language may be found in a series called *Postwar Economic Studies* published by the Governors of the Federal Reserve Board. There, under the head of "Fiscal Policy, Stability and Full Employment," Richard A. Musgrave writes:

"Government expenditure, tax, and debt policies are of strategic importance to prosperity, because through them public policy affects the level of total demand in the economy. As such, budget policy is a vital factor, quite apart from the intrinsic merits of specific expenditure programs or the equity of specific revenue measures. Budget policy is bound to be a matter of broad economic policy.

"This general requirement is clear cut, but its fulfillment is by no means simple. Policy considerations must begin with the basic fact that there is no self-adjusting mechanism, in a private enterprise economy, which assures that a full employment level of expenditures will be maintained year in and year out, so that neither inflation nor deflation will develop. The cyclical ups and downs of the past give ample evidence to the contrary. Beyond the issue of stability, moreover, it must be recognized that there is no automatic mechanism, inherent in the private economy, which assures that the level around which total income and expenditures may fluctuate will be one of good business and reasonably high employment; quite possibly it may be one of low profits and substantial unemployment.

"In an economic system where decisions to buy, to produce, to sell, to save, or to spend, are made by millions of separate households, workers, and business enterprises, there is no reason to expect that the multitude of individual decisions necessarily should combine to meet the conditions of full and stable employment for the economy as a whole.

"The vital importance of fiscal policy for avoiding deflation or inflation will now be apparent. Depending on what revenue and expenditure measures are adopted, fiscal policy may be used to curtail or increase the total demand for goods and services, whichever is needed. This may be done directly by changing the level of public expenditures, or indirectly by affecting the level of private spending. A shift from taxation to borrowing, for instance, will tend to increase private spending and vice versa. Postwar fiscal policies therefore will have to differ vastly depending on whether economic pressures are inflationary or deflationary."

There, also, under the head of "Public Debt and the National Income," Evsey D. Lomar, of the Division of Research and Statistics, writes:

"It is true that our economy would be better off without so large a debt. But this does not mean that our position can be always improved by reducing the debt. The difficulty lies in the fact that the various components of our economy are interdependent, so that it is

impossible to change one without affecting the others. In particular, the debt problem is more complex and difficult than it appears on the surface because changes in the debt exercise a powerful effect on the size of the national income."

They take the doctrine for granted. All that they are discussing is the application of it.

You see therefore why there can be no settled policy. The policy must be flexible. It must be reexamined every day by the reading of inflationary and deflationary pressures on the statistical indicator. The indicator may be wrong. Mr. Bowles admits that it gave an overreading on the time it would take to reconvert industry, an overreading on unemployment during the reconversion period, and an underreading on the intervening demand for goods; and he says that these wrong readings created "a crisis on the stabilization front." But this will prove only how important it is to keep monetary and fiscal policy flexible in order to meet the perversities inherent in natural events.

Enigma

There remains an enigma to be resolved. If, as it says, the government's principal anxiety is the fear of inflation, why should it not be happy to consider a monetary and fiscal policy that might be financially sound and at the same time deflationary?

It is true that in every way it can think of, by exhortation and by argument, the government keeps impressing upon the public mind the dread of inflation. But in the field of action it is different. There, when it comes to a choice between a course of action that may be somewhat inflationary and one that would be in effect deflationary, the decision invariably is on the side of inflation.

The handling of the money market is dangerously inflationary. The morning exercise of the Treasury is to jump on the rate of interest to keep it down, and the Federal Reserve goes on lending money to the banks at a rate of interest lower than the yield of short-term government debt. The banks borrow this money to buy more government securities because there is a profit in it. The result, nevertheless, even as Mr. Eccles points out, is that everything, every day is a little worse in every way.

The wage-price policy is inflationary. A shrinkage of the payroll would have been deflationary; therefore wage rates had to rise. For a while it was thought that Mr. Bowles could make prices stand still while wages went up, but when that was found to be impossible prices were permitted to go up in order that wages might rise, and so again the decision was on the side of inflation.

In his annual message the President said: "Our chief worry still is inflation." Why so? Is it because inflation is necessarily and altogether bad, or because the sequel will be deflation?

He said: "The possibility of a deflationary spiral

in the future will exist unless—" and, "We must not let a year of prosperity lull us into a false feeling of security and a repetition of the mistakes of the 1920's that culminated in the crash of 1929." In the entire message there was not a single slightly deflationary proposal. Inflationary proposals were many and magnificent—more TVA's, the greatest public works in history, increased grants-in-aid to the states, a grand highway program, extensions of Social Security, continuing subsidies out of the public fund, and so on.

Inflationary Budget

The budget for the next fiscal year—the year ending June 30, 1947—is inflationary. It is still a deficit budget. It contemplates expenditures four times greater than the annual average during the five years immediately preceding the war. If business moves at a high level, if tax revenues meet the most sanguine expectations and if nothing unexpected happens, the deficit for the fiscal year ending June 30, 1947 will be *only* \$4.3 billion. And that deficit, mark you, *the deficit only*, will be more than the total expenditures of the Federal Government in any one year preceding the New Deal, excepting only the years of World War I. That deficit of \$4.3 billion will be met out of the proceeds of past borrowing, and it will be easy because the Treasury now has in its vest pocket a free cash balance of \$26 billion, and this free cash balance, representing excess borrowing, is greater than the amount of the total national debt after World War I.

So little do billions mean when money is a medium only and no longer a measure of anything!

Several weeks later the President announced a housing program to be subsidized by the Federal Government and said that of course in view of this the Budget Director would have to revise his estimates. "Even allowing for a larger postwar national income," says Mr. Eccles, "there can be no doubt that on the money supply side of the equation the total today is nearly five times the amount prior to the war and is, at present, vastly in excess of goods and services."

To say that the budget could not be balanced in the next fiscal year is nonsense. What was wanted and what has been planned is an anti-deflationary budget. If instead of hearing what the government says, one regards only what it does, a certain conclusion is inevitable. What the government most fears is deflation, and its fight against inflation is so conditioned. Inflation is bad, for it creates a false ecstasy and produces a boom psychology; but the worst thing about it is that if it gets out of control the sequel will be deflation and deflation is the terrible thing, both economically and socially, besides being the ultimate in political disaster. And thus the paradox that fear of deflation in the mind of the government is probably now the strongest force tending to bring inflation to pass.

The Keynes Letter to President Roosevelt

Giving the New Deal Its Design for Deficit Spending

THE following open letter to President Roosevelt was printed in the Sunday edition of the New York Times, Dec. 31, 1933. That was the first year of the New Deal; its program of deficit spending had not yet been developed. John Maynard Keynes was already famous for his work entitled "The General Theory of Employment, Interest and Money," now generally known as the "Keynes Theory," which is that when people are not spending enough to keep themselves fully employed the Government must make up the difference by "deficit spending." He has since been elevated to the peerage, and is now on the Board of Governors of the Bank of England. He represented the British Treasury at Bretton Woods, when the International Monetary Agreements were arrived at, and again in the negotiations for an American loan to Great Britain.

AN OPEN LETTER

By John Maynard Keynes

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London, Dec. 30.

Dear Mr. President:

You have made yourself the trustee for those in every country who seek to meet the evils of our condition by reasoned experiment within the framework of the existing system.

If you fail, rational change will be gravely prejudiced throughout the world, leaving orthodoxy and revolution to fight it out.

But if you succeed, new and bolder methods will be tried everywhere, and we may date the first chapter of a new economic era from your accession to office.

This is a sufficient reason why I should venture to lay my reflections before you, though under the disadvantages of distance and partial knowledge.

Opinion in England

At the moment your sympathizers in England are nervous and sometimes despondent. We wonder whether the order of different urgencies is rightly understood, whether there is a confusion of aims, and whether some of the advice you get is not crack-brained and queer.

If we are disconcerted when we defend you, this is partly due to influence of our environment in London. For almost everyone here has a wildly dis-

torted view of what is happening in the United States.

The average City man believes you are engaged on a hare-brained expedition in face of competent advice, that the best hope lies in your ridding yourself of your present advisers, to return to the old ways, and that otherwise the United States is heading for some ghastly breakdown. That is what they say they smell.

There is a recrudescence of wise head wagging by those who believe the nose is a nobler organ than the brain. London is convinced that we only have to sit back and wait and see what we shall see. May I crave your attention, while I put my own view.

You are engaged on a double task, recovery and reform—recovery from the slump, and the passage of those business and social reforms which are long overdue. For the first, speed and quick results are essential. The second may be urgent, too; but haste will be injurious, and wisdom of long-range purpose is more necessary than immediate achievement. It will be through raising high the prestige of your administration by success in short-range recovery that you will have the driving force to accomplish long-range reform.

On the other hand, even wise and necessary reform may, in some respects, impede and complicate recovery. For it will upset the confidence of the business world and weaken its existing motives to action before you have had time to put other motives in their place. It may overtask your bureaucratic machine, which the traditional individualism of the United States and the old "spoils system" have left none too strong. And it will confuse the thought and aim of yourself and your administration by giving you too much to think about all at once.

NRA Aims and Results

Now I am not clear, looking back over the last nine months, that the order of urgency between measures of recovery and measures of reform has been duly observed, or that the latter has not sometimes been mistaken for the former. In particular, though its social gains are considerable, I cannot detect any material aid to recovery in the NRA. The driving force which has been put behind the vast administrative task set by this act has seemed to represent a wrong choice in the order of urgencies. The act is on the statute book; a considerable amount has been done toward implementing it; but it might be better for the present to allow experience to accumulate before trying to force through all its details.

Thus my first reflection—that NRA, which is essentially reform and probably impedes recovery, has been put across too hastily, in the false guise of being part of the technique of recovery.

My second reflection relates to the technique of recovery itself. The object of recovery is to increase

the national output and put more men to work. In the economic system of the modern world, output is primarily produced for sale; and the volume of output depends on the amount of purchasing power, compared with the prime cost of production, which is expected to come on the market.

Broadly speaking, therefore, an increase of output can occur only by the operation of one or other of three factors. Individuals must be induced to spend more out of their existing incomes, or the business world must be induced, either by increased confidence in the prospects or by a lower rate of interest, to create additional current incomes in the hands of their employees, which is what happens when either the working or the fixed capital of the country is being increased; or public authority must be called in aid to create additional current incomes through the expenditure of borrowed or printed money.

In bad times the first factor cannot be expected to work on a sufficient scale. The second factor will only come in as the second wave of attack on the slump, after the tide has been turned by the expenditures of public authority. It is, therefore, only from the third factor that we can expect the initial major impulse.

The Problem of Rising Prices

Now there are indications that too technical fallacies may have affected the policy of your administration. The first relates to the part played in recovery by rising prices. Rising prices are to be welcomed because they are usually a symptom of rising output and employment. When more purchasing power is spent, one expects rising output at rising prices. Since there cannot be rising output without rising prices, it is essential to insure that the recovery shall not be held back by the insufficiency of the supply of money to support the increased monetary turnover.

But there is much less to be said in favor of rising prices if they are brought about at the expense of rising output. Some debtors may be helped, but the national recovery as a whole will be retarded. Thus rising prices caused by deliberately increasing output have a vastly inferior value to rising prices which are the natural result of an increase in the nation's purchasing power.

I do not mean to impugn the social justice and social expediency of the redistribution of incomes aimed at by the NRA and by the various schemes for agricultural restrictions. The latter, in particular, I should strongly support in principle. But too much emphasis on the remedial value of a higher price level as an object in itself may lead to serious misapprehension of the part prices can play in the technique of recovery. The stimulation of output by increasing aggregate purchasing power is the right way to get prices up; and not the other way around.

Thus, as the prime mover in the first stage of the

technique of recovery, I lay overwhelming emphasis on the increase of national purchasing power resulting from governmental expenditure which is financed by loans and is not merely a transfer through taxation from existing incomes. Nothing else counts in comparison with this.

Boom, Slump and War

In a boom, inflation can be caused by allowing unlimited credit to support the excited enthusiasm of business speculators. But in a slump governmental loan expenditure is the only sure means of obtaining quickly a rising output at rising prices. That is why a war has always caused intense industrial activity. In the past, orthodox finance has regarded a war as the only legitimate excuse for creating employment by governmental expenditure. You, Mr. President, having cast off such fetters, are free to engage in the interests of peace and prosperity the technique which hitherto has only been allowed to serve the purposes of war and destruction.

The setback American recovery experienced this past autumn was the predictable consequence of the failure of your administration to organize any material increase in new loan expenditure during your first six months of office. The position six months hence will depend entirely on whether you have been laying the foundations for larger expenditures in the near future.

I am not surprised that so little has been spent to date. Our own experience has shown how difficult it is to improvise useful loan expenditures at short notice. There are many obstacles to be patiently overcome, if waste, inefficiency and corruption are to be avoided. There are many factors I need not stop to enumerate which render especially difficult in the United States the rapid improvisation of a vast program of public works. I do not blame Secretary Ickes for being cautious and careful. But the risks of less speed must be weighed against those of more haste. He must get across the crevasses before it is dark.

The other set of fallacies, of which I fear the influence, arises out of a crude economic doctrine commonly known as the quantity theory of money. Rising output and rising incomes will suffer a set-back sooner or later if the quantity of money is rigidly fixed. Some people seem to infer from this that output and income can be raised by increasing the quantity of money. But this is like trying to get fat by buying a larger belt. In the United States today your belt is plenty big enough for your belly. It is a most misleading thing to stress the quantity of money, which is only a limiting factor, rather than the volume of expenditure, which is the operative factor.

It is an even more foolish application of the same ideas to believe that there is a mathematical relation

between the price of gold and the prices of other things. It is true that the value of the dollar in terms of foreign currencies will affect the prices of those goods which enter into international trade. In so far as an overvaluation of the dollar was impeding the freedom of domestic price-raising policies or disturbing the balance of payments with foreign countries, it was advisable to depreciate it. But exchange depreciation should follow the success of your domestic price-raising policy as its natural consequence, and should not be allowed to disturb the whole world by proceeding its justification at an entirely arbitrary pace. This is another example of trying to put on flesh by letting out the belt.

Currency and Exchange

These criticisms do not mean that I have weakened in my advocacy of a managed currency or in preferring stable prices to stable exchanges. The currency and exchange policy of a country should be entirely subservient to the aim of raising output and employment to the right level. But the recent gyrations of the dollar have looked to me more like a gold standard on the booze than the ideal managed currency of my dreams.

You may be feeling by now, Mr. President, that my criticism is more obvious than my sympathy. Yet truly that is not so. You remain for me the ruler whose general outlook and attitude to the tasks of government are the most sympathetic in the world. You are the only one who sees the necessity of a profound change of methods and is attempting it without intolerance, tyranny or destruction. You are feeling your way by trial and error, and are felt to be, as you should be, entirely uncommitted in your own person to the details of a particular technique. In my country, as in your own, your position remains singularly untouched by criticism of this or the other detail. Our hope and our faith are based on broader considerations.

If you were to ask me what I would suggest in concrete terms for the immediate future, I would reply thus:

Constructive Criticism

In the field of gold devaluation and exchange policy the time has come when uncertainty should be ended. This game of blind man's buff with exchange speculators serves no useful purpose and is extremely undignified. It upsets confidence, hinders business decisions, occupies the public attention in a measure far exceeding its real importance, and is responsible both for the irritation and for a certain lack of respect which exist abroad.

You have three alternatives. You can devalue the dollar in terms of gold, returning to the gold standard at a new fixed ratio. This would be inconsistent with your declarations in favor of a long-

range policy of stable prices, and I hope you will reject it.

You can seek some common policy of exchange stabilization with Great Britain aimed at stable price levels. This would be the best ultimate solution; but it is not practical politics at the moment, unless you are prepared to talk in terms of an initial value of sterling well below \$5 pending the release of a marked rise in your domestic price level.

Lastly, you can announce that you will control the dollar exchange by buying and selling gold and foreign currencies at a definite figure so as to fight wide or meaningless fluctuations with a right to receive the parities at any time, but with a declared intention only so to do either to correct a serious want of balance in America's international receipts and payments or to meet a shift in your domestic price level relative to price levels abroad.

The Favored Policy

This appears to me your best policy during the transitional period. You would be waiving your right to make future arbitrary changes which did not correspond to any relative change in the facts, but in other respects you would retain your liberty to make your exchange policy subservient to the needs of your domestic policy—free to let out your belt in proportion as you put on flesh.

In the field of domestic policy, I put in the forefront, for the reasons given above, a large volume of loan expenditure under government auspices. It is beyond my province to choose particular objects to expend. But preference should be given to those which can be made to mature quickly on a large scale, as, for example, the rehabilitation of the physical condition of the railroads. The object is to start the ball rolling.

The United States is ready to roll toward prosperity, if a good hard shove can be given in the next six months. Could not the energy and enthusiasm which launched the NRA in its early days be put behind a campaign for accelerating capital expenditures, as wisely chosen as the pressure of circumstances permits? You can at least feel sure that the country will be better enriched by such projects than by the involuntary idleness of millions.

Plenty of Cheap Credit

I put in the second place the maintenance of cheap and abundant credit, in particular the reduction of the long-term rate of interest. The turn of the tide in Great Britain is largely attributable to the reduction in the long-term rate of interest which ensued on the success of the conversion of the war loan. This was deliberately engineered by the open-market policy of the Bank of England.

I see no reason why you should not reduce the rate of interest on your long-term government bonds

to 2½% or less, with favorable repercussions on the whole by the market, if only the Federal Reserve System would replace its present holdings of short-dated Treasury issues in exchange. Such a policy might become effective in a few months, and I attach great importance to it.

With these adaptations or enlargements of your existing policies, I should expect a successful outcome with great confidence. How much that would mean, not only to the material prosperity of the United States and the whole world, but in comfort to men's minds through a restoration of their faith in the wisdom and the power of government!

With great respect, your obedient servant,

J. M. KEYNES.

British and U. S. Debt Per Capita

At the request of Representative McMillen the U. S. Treasury made a comparison of the public debt per capita in Great Britain and the United States. (*Congressional Record*, March 11, 1946, p. A1330.) Leaving out local indebtedness, for which there are no exactly comparable figures, the national debt per capita compares as follows:

National debt of the United Kingdom, March 31, 1945—£22,398,000,000. (This figure is taken from the official British financial statement, 1945-46.)

Population of the United Kingdom (as given in Whitaker's Almanac, 1945) for 1941, 47,900,000.

Per capita debt, £468.

The gross public debt of the United States amounted to \$279,445,000,000 on January 31, 1946; the per capita debt on that date was \$1,992.

If pounds sterling are converted into dollars at approximately the current rate of one to four, the following comparison appears:

National debt of the United Kingdom, **per capita, \$1,872.**

National debt of the United States, **per capita, \$1,992.**

Cui Bono?

By the banks of Potomac a tit in a tree
Sang "Trillo, Petrillo, Petrillo."

And I said, "Little birdie, your song used to be
'Titwillow, titwillow, titwillow.'"

The tomtit retorted, in tones of disgust,
"E Pluribus Unum, it can't be discussed,
We sing what democracy says that we must—
Petrillo, Petrillo, Petrillo!"

FRANK LYNN in the *Herald Tribune*.

Henry Ford II

Excerpts from the speeches and writings of the twenty-eight-year-old head of the Ford dynasty, grandson of the founder.

The mechanical principles are not new to any of us—*standardization* of parts, “*line*” *assembly*, the use of large, high-cost *machine tools*. These are the principles all of us have used for many years in the manufacture of automobiles. They are the principles of mass-production.

Mass-production is not an end in itself, but a means to an end. It is a tool.

In peacetime the use of the tool of mass-production thrives best in a highly competitive democratic economy. For mass-production is a tool which free people use in peace-time to make *more and better* products at less and less cost. It is a tool for *raising the standard of living*.

The use to which we can put mass-production to bring millions of things and opportunities within the price range of millions of people has in no way reached its limit. It is obvious, for example, how much better off we would be in this country if it were possible to sell automobiles for half their pre-war prices.

We may be tempted to think that the potentialities of mass-production have been exhausted—that we have come to the end of this road to national well-being. Such a notion is absurd. The mechanics of mass-production can still be greatly improved, and they can be more widely adapted. But there is a whole vast area in which we are only beginning to make significant progress—what we might call the field of human engineering.

Mass-production is achieved by both machines *and* men. And while we have gone a very long way toward perfecting our mechanical operations we have not successfully written into our equations whatever complex factor represents Man, the human element.

If we can solve the problem of human relations in industrial production, I believe we can make as much progress toward lower costs during the next ten years as we made during the past quarter cen-

tury through the development of the machinery of mass-production.

Mass-production did not invent the human equation, but it did alter it in a number of important respects which we may have been slow in taking into account. Under mass-production large numbers of people flocked to the assembly line, each to perform a highly specialized routine duty. Mass-production produced great concentrations of people—and a problem of communicating with them. And it produced the difficult problem of specialization, where the human being loses sight of the social usefulness of what he does.

How badly we have taken the human factor into account is indicated by many statistics. The Department of Labor shows that a total of 216 million man days were lost between 1927 and 1941 as a result of strikes alone.

Consider how many thousands of automobiles, radios, refrigerators and other useful and needed products could have been manufactured with 216 million man days of labor.

I do not need to tell you that costs are also closely related to the productivity of the individual American worker. We take pride in this productivity and as a matter of fact we in America cannot compete in world markets with our high wage rates if the American worker does not continue to be productive.

Recent statistics on productivity are confusing because of the factor of war. Other prewar mass-production industries have found, as have we at Ford Motor Company, that even after allowance for unusual circumstances the recent record of productivity is not encouraging.

One group of operations which took 96 minutes in 1940 took 128 minutes five years later. Another group which took 1188 minutes in 1940 took, five years later, a total of 1943 minutes to perform. A third group took 28 minutes in 1940 and 49 minutes five years later. On the whole, productivity per worker in our plants declined more than 34% during the war period.

We cannot, for example, expect legislation to solve our problems. Laws which seek to force large groups of Americans to do what they believe is unfair and against their best interests are not likely to succeed. In fact, such legislation can lead to exaggeration of

the very problem it is designed to solve. And when free men give up the task of trying to get along with each other, and pass the buck to government, they surrender a substantial measure of their freedom.



We have not yet solved the problems of mass-production, for our failure in human engineering is creating waste and inefficiency which handicaps the very purpose of mass-production—lower costs.



Workable solutions can be found if we will only bring to it the same insistent objectivity and willingness to experiment which you and others like you throughout industry have given to the mechanical difficulties in mass-production.



In industrial human relations, we have a new and relatively unexplored frontier. And beyond this frontier lie opportunities greater perhaps than any of us can imagine.



Labor Unions are here to stay. Certainly, we of the Ford Motor Company have no desire to "break the unions," to turn back the clock to days which sometimes look in retrospect much more attractive than they really were. The truth of the matter is that the unions we deal with rose out of the very problem we are discussing—the human problems inherent in mass-production.



It is clear that we must look to an improved and increasingly responsible union leadership for help in solving the human equation in mass-production. Union leaders today who have the authority to affect industrial production on a vast scale enjoy a social power of enormous proportions. If they are going to be real leaders they must accept the social obligations that go with leadership.



We have a tradition of industrial antagonism. Men who in their private lives would not think of entering into a brawl on the street have over the years found themselves blasting each other in the public press by colorful name calling. This tradition has given rise in some circles to the theory that open conflict is inevitable. I have even heard it said that strikes are helpful in "clearing the atmosphere." With such unhappy theories I do not hold.



If we are to have industrial relations programs and labor relations staffs, and spend as much money on them as we do, we should do it expertly and

efficiently, bringing to the task the same technical skill and determination that the engineer brings to mechanical problems. We must act on a more human and professional plane.



There is no reason why a union contract could not be written and agreed upon with the same efficiency and a good temper that marks the negotiation of a commercial contract between two companies.



We know that great masses of men work constantly at points below their top capacities, and it is one of our jobs to see that ways and means are provided to help them rise to these opportunities.



People want to know what the other people they work with are doing and thinking. They want to know what "the score" is. It is fairly easy for everybody to "know the score" when there are only fifty employees in a plant. But when thousands of employees work at assembly lines in a single plant they create a problem of communication which has not yet been effectively solved.



In an age in which the world prides itself on speed and efficiency in human communication it is absurd that we should not have been more successful in this field.



We can lick this job of better communication. *Informed* employees are more productive, certainly, than *uninformed* employees.



The Ford Motor Company does not create or control jobs. Neither does any company nor any union, for that matter. The only way more jobs can be created, and wages raised, is if more and more people want to buy more and more of the things we make.



We are assuming that the price ceiling problem will be solved. How big a gamble this is we do not really know. We may lose very substantially in 1946 but we will be on the way.



And while we are on the subject of losses I would like to note, if only for the record, that we could not take these chances if the Ford Motor Company, like other companies which manage to survive and grow over the years in face of all the uncertainties of business and industry, had not been building up reserves to finance itself in moments of emergency.

The London School of Economics

By Dr. M. J. Bonn

IT MUST be nearly fifty years ago that I first set foot in the London School of Economics. It had been founded one or two years earlier (1895) with a legacy of £10,000 left to a group of Fabians headed by Sidney Webb. They decided to use the money for the study of applied economics.

For more than a century England had been the homeland of economic thought. The truth of the doctrines of her first great teachers had been borne out by the marvelous development of the small island under the regime of free trade. In those days free trade was not a mere economic doctrine; it was a creed. Those who held it, looked down on heretics with much of the same contempt with which modern pinkie-winkies speak of orthodox economists. Yet unlike new dealers who greatly appeal to sentiment, free trade theorists had constructed a rather dry abstract system. It had been expounded in a humanized form by a truly great economist, Alfred Marshall. Even today his shadow falls across the devious road which his heretic pupils, chief among them Keynes, are traveling.

Since English economics had found a place in the old universities they had become a little anemic. Business believed in free trade as one believes in God; there was no need for proving His existence. The result was a rigid catechism. Economic science had become professional and professorial. Some brilliant minds looked upon it as a field for exercising their genius for mathematics and posed and solved ingenuously very subtle hypothetical problems.

Ferment

In the labor world at the same time sober opportunism dominated. Even the radicals had almost forgotten the early revolutionary days of British socialism and its subversive theoretical foundations. Karl Marx had died in London after a long life in exile. He was as good as unknown to the British labor movement. Whilst the Continent labor parties fought violently amongst themselves about the true interpretation of the master's work, his only prominent exponent in England was H. M. Hyndman.

Yet there was a good deal of ferment. A group of intellectuals had formed a loose association advocating far-reaching social changes. They did not care for revolutionary slogans and even less for revolutionary methods. Believing in cautious reform, they called themselves the Fabians. Nearly all of them were of middle-class origin. Leading figures, besides the Webbs, were Graham Wallas, a truly great

sociologist and the most scintillating personality the nineteenth century has produced in English speaking lands, and George Bernard Shaw, a fascinating compound of impishness, contrariness and prophetic wisdom. Mrs. Webb, née Potter, the daughter of a railroad magnate, had improved her naturally brilliant mind by close acquaintance with Herbert Spencer. She combined, what is rare in this world, personal charm, hard intelligence and bold imagination. We gave her a lunch at the School of Economics in honor of her eightieth birthday: her improvised speech was far more inspiring than the combined laudatory addresses to which she had been subjected. Sidney Webb, on the other hand, possessed that type of genius which consists in the capacity for taking infinite pains. He had been trained for the civil service, and he had a marvelous gift for collecting, sampling and organizing facts, and for manipulating men.

In the Gristle

The Webbs were the founders of the school.¹ They were displeased with the abstract character of political economy as it was taught in the two old universities, from which the bulk of the nation's administrators was bound to come. They clearly saw that the widening of state activities leading to nationalization required a highly trained civil service. The British civil service is of recent origin. It does not stem, like the Continental bureaucracy, from the old absolutist bureaucracy. It was established in the middle of the last century, admission being based on passing stiff competitive examinations. It was to put an end to the old spoils system. If a society was asking for increased government activities it had to be educated for its new tasks. It had to go in for applied economics, and applied economics were not taught anywhere in England. Under a system of complete free trade, indeed one might doubt whether they existed.

The new school was to serve this need. It was to teach "those engaged in business and in central and local government." It was partly a protest against *laissez-faire*, but, even more so, a revolt against the shallow empiricism which had found expression in the widely quoted slogan that an ounce of facts weighed more than a pound of theory.

The first director of the school, W. A. S. Hewins, was not an orthodox economist; he was to show his iconoclasm a few years later when Joseph Chamberlain started the great protectionist campaign which

¹Their portraits adorn one of the school's reception rooms, rightly called "The Founders Room."

broke the long rule of the Conservative party and put the Liberals in. Hewins had resigned from the school (1903), and had become the head of the Tariff Commission, which laid the scientific foundation for what turned out to be a spectacular defeat. Hewins was succeeded by Sir Halford Mackinder (1903-1908) who might be called the British creator of geopolitics. He was really much nearer in the apostolic succession to the great geographer, Friedrich Ratzel, who had originated the new science, than the late much advertised Karl Haushofer, whom American students look upon as an evil genius, I suppose partly because they loathe geography in any shape. Mackinder's successor was W. Pember Reeves, a well-known New Zealand statesman and social reformer. H. G. Wells has drawn his portrait in the "New Machiavelli," one of the merciless photographic novels in which the characters may be recognized even though the author assures his readers on the title page that everything is creative invention.

The First Teachers

When I first visited the school it was a curious institution. It occupied a series of small rooms on the ground floor of a house off Adelphi Terrace (John Street), a vicinity intimately associated with the English theater. The apartment above it was tenanted by a charming Anglo-Irish woman, a friend of the Webbs, Miss Payne Townsend, later Mrs. Bernard Shaw. She acted occasionally as hostess for the school. Those of us who had attended a particularly important afternoon course were bidden to tea. The school at that time had scarcely any regular staff beside the director. Later on Edwin Cannan became its chief economic teacher. He exercised a profound influence on some of the younger generation. His approach to economics was much more factual than that of the Cambridge and Oxford schools which were then performing great feats of mental gymnastics on curves and insisting that the way to truth was the subtle analysis of an artificially simplified nonexistent world. They have never quite got away from it. The economic world which the most brilliant living economist, Lord Keynes, has been playing with is of this type. It consists exclusively of industrial employers and employees and can be satisfactorily manipulated by throttling and unthrottling the supply of money and credit.

A good deal of the London School's teaching was done by outsiders. Prominent bankers and manufacturers, leading administrators, labor organizers, distinguished statesmen and politicians were asked to give a few lectures on subjects they were thoroughly familiar with. These lectures were not meant for undergraduates; they went far above their heads. The institution did not originally cater to them. It started teaching for degrees only after 1900, when

it had become a college in the University of London. For those like myself who had gone through our preliminary training these classes were invaluable. The audience was small; there was little of the customary lecture hall atmosphere. The students were in personal touch with those who addressed them; besides imbibing information, they got a kick out of rubbing shoulders with well-known men.

The Webbs were geniuses at wire-pulling. They were on friendly terms with everybody who counted in English public life. They used their social influence and their personal attraction to make many great figures contribute a few crumbs of their experience and a good deal of cash to their budding new institution.

Until 1898 the University of London was an examining body, whose duty it was to grant degrees. It had no faculty of its own. There were several independent colleges for higher education serving that large part of the metropolitan population which could not afford to send its offspring to relatively distant expensive residential colleges in Oxford and Cambridge. Their economic departments were quantitatively, not qualitatively, weak. Here the London School found a great opening. It, so to speak, bifurcated. It became the metropolitan school for economic and social sciences to which metropolitan undergraduates flocked. It was free from the traditions of classical scholarship which elevated and, at the same time, restricted older colleges. It did not serve the humanities in the ways of an old American liberal arts college. Its students no doubt missed something of that serene atmosphere in which the Greeks were supposed to have lived. The attempt to recapture it by talking Latin once a week at a social gathering of the members of the faculty does not recreate it, as I found out while visiting one of them in the United States. In its place they got, let us hope, the spirit of optimist humanitarianism which at the close of the last century cheered up mankind. Whilst serving the metropolitan population, the school did not forget its higher aims: research. It became a center of postgraduate work.

Influence

Sidney Webb was a leading member of the London County Council, the federation which governed the London boroughs. He induced it to give a grant to the school. As the school widened its sphere of influence and action it needed permanent chairs to be held by prominent men. Endowments from private sources were secured. The small nucleus expanded into a unique institution. It was not like an ordinary college, for it had only one department—the social sciences in all their ramifications: economics, political science, history, sociology, law, anthropology, geography, philosophy and languages (inasmuch as languages were essential to the understanding of non-Anglo-Saxon civilization). They were organized in a faculty of economics and politi-

cal science, a faculty of law, and a miscellaneous faculty of arts. It gave degrees like a regular college, B.A., M.A., M.Sc., Dr. of Philosophy. Its work was tripartite. In common with many city colleges and metropolitan institutes, it had to duplicate its teachings, inasmuch as there was a great demand for evening classes. This threw a heavy burden on the faculty, many of whom had to duplicate their courses.

In the last year before the First World War I did not see much of the school, though I kept up my contacts, especially with the Webbs, whose unflinching kindness to me continued from my student days all through my life. When I returned after the First World War the school had become an institution known all the world over. The political climate of England had changed. The days of unadulterated *laissez-faire* had gone; the Liberal Party, once its proud exponent, had been converted to interventionism, first in its Irish land legislation, and later on by inaugurating social insurance. The war had broken its back. A liberal party can wage war, but it seems to be unable to survive a victorious war. Internal dissensions had split it, and in its place the role of opposition was taken by the new Labor Party. A number of formerly prominent liberals had joined it.

Back from Russia

The Webbs were naturally influential in the Labor Party. They had, so to speak, organized its general staff, but they themselves had undergone a profound transformation. They had not taken much interest in Marx and the Marxian controversies which had shaken the Continent at the end of the nineteenth century. To their practical minds the hairsplitting in which the faithful indulged had little meaning.

The advent of the Soviets revolutionized them completely. Here was Communism in being, no mere blueprints. Though both were advanced in years, they hurried to the Soviet paradise in which, at that early time, physical comforts were closer to those Adam and Eve had to be content with than those of postwar England, and became enthusiastic admirers of Soviet Russia.

Sidney Webb's social ideal had always been that of a thoroughly well-administered state, run by a highly trained civil service. His ideal was fulfilled in Russia. Yet their fervid admiration for revolutionary Russia did not prevent their intimate collaboration with a reformist, not to say timid, Labor Government at home. The temperament of the English is after all Fabian. They like reforms piecemeal. They do not take their whisky straight, but by imbibing regularly large, somewhat diluted quantities they finally get as well soaked with alcohol as less moderate drinkers, and they rarely suffer from a bad hangover. The school had many affiliations

with the Labor Party, but it was by no means its academic representative.

Both the director of the school, Sir William Beveridge (1919-1937), and the leading members of the Department of Economics were liberals. Sir William, a distinguished civil servant, had played an important part in the food administration in the war and retained a strong inclination towards regimentation. Yet in the great crisis, in which Great Britain gave up both the Gold Standard and free trade and abdicated from her position as world leader in international economics, which she had so proudly held for nearly a century and a half, Sir William Beveridge, Lionel Robbins, and Theodore (now Sir Theodore) Gregory, were the last who kept the flag flying. They had fully anticipated the dismal economic consequences of John Maynard Keynes and had opposed Keynesian fallacies long before their author, who had always managed to combine intellectual honesty with impish dare-deviltry, was discrediting some of his own findings.

They were of course defeated. In any great economic crisis, reason goes to the wall. The Keynesian theories have furnished the fig leaves, with which governments shuddering in the cold of depression covered their nudities. As experience was to show, fig leaves do not keep one very warm.

The school's economic department had been strengthened by the accession of Dr. F. Hayek. He had graduated from the famous Viennese School founded by Menger, who shared with Jevons the honor of having introduced the marginal concept of value. A born theorist, he was not so much interested in fighting Keynes' practical deductions as in contesting some of his basic conceptions. He has lately come in for excommunication from collectivist-minded sentimentalists, for he has committed an unpardonable sin in the eyes of the minor intelligentsia. His book, "The Road to Serfdom," has become a best seller. No conservative economist must be allowed to get away with such a grievous offense. The school itself was tolerant, in the great classic tradition. While most of its leading economists opposed Keynes' fundamentals, they joined hands with him in publishing "The London and Cambridge Economic Service." Some of the leading labor leaders had, moreover, been on its staff, foremost amongst them Hugh Dalton, the present Chancellor of the Exchequer; he had taught public finance and had trained a number of younger men in his views and methods. Even the Prime Minister, Mr. Attlee, was for some time a lecturer at the school (1913-23).

Laski

In the United States the view was, and even today is, widely held that the London School of Economics is the center of advanced economic Socialism, not to say Communism. The error is due to Harold Laski's genius for publicity. I have often been congratulated by budding economists who were still

moving in the more emotional outer rings of that no longer dismal science on having him as a colleague. But Harold Laski is not an economist. Having by now to be all the time in the public eye, wielding a very facile pen and wagging an even more facile tongue, he has of course dabbled in economics. In this field, he was merely a retailer, not a producer, as in political science, when he wrote "The Foundation of Sovereignty, a Grammar of Politics," and some of his clever short studies.

For a long time his admirers in the United States have extolled him as a great liberal. I doubt that he ever was a liberal. After a triumphal visit to Russia, he became an avowed Communist of the edition-de-luxe type. He no longer believes in the dull ways of peaceful reform which characterized British progress. Though he has been a Fabian by association, by temperament he is anti-Fabian. This ardent admirer of Soviet Russia would be one of the most tragic victims of a Soviet revolution in Great Britain. For he is a kind man, whose heart would be wrung by the inevitable horrors of such an event. Being a thoroughly undisciplined, irresponsible individualist who cannot suppress a brilliant idea, however ill-timed the utterance may be, he would not fare well in a regimented collectivist state. In most successful revolutions, the irrepressible Trotskys do the talking, and the heavy-tongued Stalins the manipulating and the acting. But the Trotskys die and the Stalins don uniforms and become field marshals.

Laski has done both service and dis-service to the school. His great popularity in the United States has helped to spread its reputation, and at the same time has falsified it. It has misled many students and has greatly disappointed others. One of our Canadian students once came to me in despair. He had managed to get to Europe at a great personal sacrifice to get Marxian lore at the source from Laski. He soon found out that Laski had only a bowing acquaintance with the great master, not enough for an ardent disciple. He tried Hayek, but this did not work better, for he was not prepared to see his God annihilated with arguments he could not yet refute. Somehow I managed to console him. I was not a Marxist, but I had been very close to some of the leading lights, and knew the atmosphere he yearned for.

Multinational

The variety in the political nuances in the school was very great. Everybody could attend it without risking the loss of his political prejudices, however unfounded they might have been. Harold Laski's closest colleague in political science was a good conservative whose law was probably sounder than his, though less sparkling. The faculty was truly multinational. It comprised Americans (Allyn Young died while he was a member), Austrians,

Hungarians, New Zealanders, Australians, Canadians. The great Polish anthropologist, Malinowski, was one of its stars. There were Frenchmen, and, after Hitler's advent, a few Germans. In those trying days, the school took the lead in the defense of academic liberty. Sir William Beveridge presided over the newly formed Society for the Protection of Science and Learning, which enabled many displaced scholars to continue their work.

By that time the school had acquired a truly international character. The bulk of the undergraduates was naturally metropolitan, yet of 1,445 regular students (1937-38), 399 had come from overseas. Its American students (regular and occasional) numbered 94; its Chinese 75. The school as a center for postgraduate studies, had become a world's finishing school for the social sciences. I was not a very important member. Yet in the few years I was attached to it I counted among my pupils a Persian, a Japanese, a Barbadian Negro, a Chinese sent by one of the war lords, one or two Canadians, a South African and a handful of Americans.

World-wide Alumni

Today its pupils are scattered all over the world. One, a schoolteacher in California, has been trying to form an association of them. But she found this too hard a job during the war. For they had come from all lands and from all social grades and are not held together by the usual school tie. I lunched not so long ago with a leading executive of the Northwest; it turned out that he and his public relations man had both been at the school. They had not graduated from it. Like many others, they had already acquired all the alphabetic academic distinctions they needed. The school attracted many who came for a year or even for a term. It had (1937-38) 341 occasional students from overseas. They regarded it as a kind of "prelude to Europe," a place where they would not only get a few novel ideas, but could breathe a European, not a merely British atmosphere, and where they could meet people who had been mentioned with respect in their textbooks, if not in the headlines of the home papers. These visitors were not, like Rhodes scholars, run through the mill and turned out more or less perfect specimen copies of British gentlemen. Many of its most brilliant and welcome visitors would have been terrified at this prospect. But the school showed them that Europe and especially England was not a class-infested museum, where, as an early critic had said, a talent lost half of its value after landing on her shores.

Students and faculty were pretty free from social and racial prejudices. One year the students' union had elected as its president a hand-me-down American Communist, who was certainly not from the "top drawer." He tried hard at the annual students' dinner to initiate me into the mysteries of Marxism.

I rapidly fell from grace when he learned that though I had been too young to know the savior in person, I had been on pretty good terms with some of the apostles, orthodox and unorthodox. Since I had known for over thirty years the things which then were very novel to him he quite properly treated me as an antediluvian reactionary. Unfortunately, he had very advanced ideas about truthfulness, which did not quite tally with our more antiquated conceptions, and had to be got rid of. It took quite a long time to convince his fellow students.

Tolerance

The school had room for all creeds, doctrines and even prejudices, though it leaned very strongly towards progress. It made welcome everybody who cared for moral and intellectual independence. During the long dreary years of appeasement the common room sometimes was an angry beehive, especially on a Monday after Adolf Hitler had staged one of his brazen Saturday stunts. It had appeasers in its ranks, and they were as numerous on the labor side as they were in other camps. It tolerated them because it saw its task not in selling a particular brand of truth but in teaching its students how to pursue truth. It succeeded beyond all expectations. Among its pupils were capitalists and communists. It had impregnated them with the eagerness of its founders for finding the right way through the social labyrinth in which mankind has managed to incarcerate itself. They are separated now from each other by seas and continents; they have no common ritual, and hold no commencement reunions. And yet when they meet by accident in the most varied circumstances, they greet each other as kindred spirits.

The school had a hard time during the second war. Sir William Beveridge had resigned a few years earlier; A. M. Carr-Saunders, a scholar of mellow wisdom, has taken his place. He has guided it through a period of exile—for it had had to go to Cambridge to avoid bombing, and it had to carry on with very reduced means, a depleted staff, and few students. Yet it has survived and it will regain its old position. If needs be, its former pupils in all lands would see to it that it does not slip into tired somnolence.

But they need not worry. The turmoil through which the world is passing in these hard times does not favor the spirit of gentle contemplation which the cloistered colleges of Oxford and Cambridge exhale with an all-pervading charm, rightly envied by less peaceful rivals. A school of economics and political science need not have regrets for a past golden age. It is bound to flourish when the matter on which it has to work, economic and political problems, is brought to it on a rapidly moving running belt.

Books

Planning

"Road to Reaction," by Herman Finer. Little, Brown & Co.—Atlantic Monthly Press, Boston.

"Freedom under Planning," by Barbara Wootton. University of North Carolina Press, Chapel Hill, N. C.

"Science and the Planned State," by John R. Baker. The Macmillan Co., New York.

Herman Finer

ON THE jacket of Herman Finer's book, "Road to Reaction," the publishers say they have here "a great political scientist." He is going to clarify "the muddy waters surrounding concepts like free enterprises"; having done this he will chase the reactionaries into the ground and take Frederick A. Hayek apart. Who are the reactionaries? They are, the publishers say, "... the leaders of finance, industry and commerce. In the Axis countries they were able to overthrow the state in order to suppress their critics." But in the United States, presumably because they have not yet been able to overthrow the state, they must find writers who will defend them. One of their defenders is Hayek, who wrote "The Road to Serfdom"; and "this book in the opinion of many critics threatens to retard social progress for many years." Dr. Finer will expose this "man-hating" Hayek; he will show that the reactionaries embrace him because "The Road to Serfdom" is their "Mein Kampf."

If this were the announcement of a Communist publisher you would understand it. But the book is published by Little, Brown & Company in association with the Atlantic Monthly Press. After the appearance of the Finer book two distinguished liberal writers, William Henry Chamberlin and Raymond Leslie Buell, retired from association with the *Atlantic Monthly* and publicly announced their reason for doing so, which was that the magazine's bias in favor of pro-Russian material made it impossible for them to continue writing for it.

Who is Dr. Finer? He is, or he was, a member of that evangelical society called the London School of Economics; he was among those who, like Laski, contributed ideas to the New Deal. He must have been telling the Webbs and other London Socialists about it, and how the New Deal, sticking in the

throat of American conservatives, nevertheless saved them from revolution, for he writes: "Indeed, Mrs. Sidney Webb asked me, 'Would it not have been better for America if there had been no Franklin D. Roosevelt and no New Deal?' For then, she believed, there would have been a revolution; and it would have been interesting to watch the social results—to see whether the United States was as virile as the U.S.S.R. or as decadent as Great Britain!"

At the time of writing this book he was Visiting Professor of Political Science at Harvard, making lectures there against American capitalism. The only charitable thing he can find to say about Hayek is that as an Austrian he probably could not understand the British, not having inherited their tradition, wherefore he was not competent to tell them what was wrong with them. It seems not to have occurred to Dr. Finer that he himself is doing the same thing here. Or is it the same thing? Dr. Finer says Hayek is a man not only corrupted by those who applaud him, but furthermore disqualified by such defects of mind and morals as—

"his deficient apparatus of learning . . . his incomplete reading . . . his false history . . . his bigoted understanding . . . his non-existent political science . . . his Hitlerian contempt for democratic man . . . his anti-intellectualism . . . a viper hugged to the reactionary breast . . . his infantile logic . . . like Cain's brand on his forehead he must quote from Lord Acton . . . abject ignorance . . . Hayek and his fellow serfs . . . the unhistorical Hayek . . . perversion of a simple statement, a case by distortion, to deny the possibility of future improvement. . . ."

—whereas he himself, Finer, is a man of world repute. This he says in a footnote on page 49: "When he [Hayek] first broached his peculiar personal idea of the rule of law and planning to the author and a few friends some three years ago, all who heard him, being scholars of world repute, immediately denounced his history and citation of the rule of law as false."

Dr. Finer's controversial method is the one perfected by the Communist mentality and may be called the method of reverse imputation. If it is something you intend to do you first accuse another of the like intention. If it is something you have already done you accuse your accuser of the same thing in the accuser's own words. If you are going to betray an ally you first discover that he meant to betray you. If you meditate aggression your case is that you resist the aggression of those who were preparing to resist yours. And if you are a Communist or a collectivist you will of course denounce the individualist as a Fascist, and a free economy as a device whereby the few oppress and enslave the many.

Hayek's "Road to Serfdom" is a beautiful piece of analytical reasoning against socialism, and leaves

it quite naked. His thesis is that a planned society—a society in which production, distribution, consumption, and the use of capital are all planned by a supreme governing intelligence—must inevitably, because of the nature of man, assume ultimately the character of a totalitarian state, in which freedom will be lost. People can be free, he believes, morally and economically free, only in an economy regulated by the natural laws of competition. In that scheme the only planning function of government is to plan for free competition and for the jealous defense of it. His one theme is freedom; and his anxiety is that people will not realize how rapidly and high lightly they are exchanging it for security and status, both here and in Great Britain—not until it may be too late.

This is the thesis Dr. Finer undertakes to destroy. He opens his book with this utterly irrelevant quotation from Immanuel Kant: "*Out of such crooked material as man is made of nothing can be hammered straight.*"

Then he begins:

"Frederick A. Hayek's 'Road to Serfdom' constitutes the most sinister offensive against democracy to emerge from a democratic country for many decades. To build conservative barricades, altogether unamenable to change, as Hayek proposes, is to foment a violent explosion. Hayek and his courtiers have mistaken the nature and the temper of the times; and they trifle, or they would have come better equipped and without a peevish and rancorous temper. It is time to remind them of their responsibilities before the freedom to do so is lost."

As polemic writing it is not above the literary taste and style of the Communist *Daily Worker*, with evidence of having been done in haste to counteract the Hayek influence. As a piece of anticapitalist propaganda it is a hatchet job. Capitalism is a rogues' gallery of American businessmen, beginning with Jay Gould and ending with a president of the New York Stock Exchange who was sent to prison. As a contribution to the thought and literature of social planning the book is almost worthless. If Dr. Finer is aware of the complexity of the problems that are entailed no one would know it; certainly he adds nothing to the understanding of them. His reasoned arguments are few and vacant. Three examples will suffice.

Some of the very fine passages in Hayek's book are in Chapter VI, entitled "Planning and the Rule of Law." He makes a distinction between formal law, which is general, and arbitrary law, which is particular. Under the first, all that the government does is to determine the general conditions under which the resources of society may be freely employed, "leaving to the individual the decision for what ends they are to be used"; under the second, "the government directs the use of the means of production to particular ends." Notwithstanding the difficulties of precise definition the difference very

clearly is one of principle. It is the same as the difference between "laying down a rule of the road, as in the highway code, and ordering people where to go; or better still, between providing signposts and commanding people which road to take." Then he says:

"Nothing distinguishes more clearly conditions in a free country from those in a country under arbitrary government than the observance in the former of the great principles known as the Rule of Law. *Stripped of all technicalities*, this means that government in all its actions is bound by rules fixed and announced beforehand—rules which make it possible to foresee with fair certainty how the authority will use its coercive powers in given circumstances and to plan one's individual affairs on the basis of this knowledge."

Dr. Finer quotes this passage from Hayek with derision and answers it in a characteristic manner, as follows:

"What Hayek is looking for is something, as he says, which resembles the British Highway Code, laying down the Rule of the Road, rather than laws ordering people where they are to go. This is the most extreme example which he can choose to illustrate his idea. But, actually, Parliament did enact the principles of the Highway Code. The law, in short, does tell people where to go—they cannot go across the road, they must take certain detours and so expend additional gasoline; they cannot go down one-way streets.

On the institution of private property, Hayek says:

"What our generation has forgotten is that the system of private property is the most important guaranty of freedom, not only for those who own property, but scarcely less for those who do not. It is only because the control of the means of production is divided among many people acting independently that nobody has complete power over us, that we as individuals can decide what to do with ourselves."

Finer quotes this passage, too, and replies to it by assuming a grotesque posture, thus:

"It is not irrelevant to observe that not only is property an important guarantee of freedom, but that murder, falsehood, bribery, theft, breach of faith, and the power of imprisoning other people are also guarantees of freedom. Yet society has set bounds to them."

One more example in the art of thinking as it is practiced by Dr. Finer. He had already written that free private enterprise hinders the growth of science. "The enormous risk-bearing capacity and vision of society as a whole," he wrote, "are immeasurably superior to the timid procedures of competitive enterprise when we enter the field of the most radical scientific discoveries." Wherefore of course society as a whole, that is to say government, should plan scientific research. Just then the atomic bomb appeared and he added this footnote:

"This book was in the hands of the printers when the first atomic bomb was dropped. The observations on joint research, which was so triumphant, are among the most significant in the Official Statement. . . After this,

who again is going to pretend that the same concerted kind of attack on the making of instruments of peaceful enjoyment is impossible or undesirable?"

He could hardly have hit upon a worse case for his argument. The basic scientific knowledge that went into the atomic bomb was all pre-existing. It had been accumulated during fifty years by *unplanned* research in the free world of pure science. The teamwork on the bomb consisted in fitting the many parts of this knowledge together for a definite purpose, and that of course could be planned. It is the application of knowledge and not the discovery of it that may be planned.

Hayek's deepest thrust against the planners was to demonstrate by logic that the planned life *is* socialism, that socialism *is* collectivism, and that when a society "becomes dominated by a collectivist creed, democracy will inevitably destroy itself." The sequel is dictatorial government whether you call it Nazism, Fascism or Communism.

"It is necessary," says Dr. Finer, "to deal harshly with these contentions." Why? Because, in Finer's words:

"The most desperate task of the twentieth century is to strengthen responsible government. Democracy that is responsible government is our salvation."

So now we know what he means by democracy. Democracy is responsible government.

Of the three dictators—Mussolini, Hitler, Stalin—it was Mussolini alone who disdained to proclaim democracy, and that was bad. Moreover, he was a renegade socialist, which was even worse. Nevertheless he did establish responsible government and under it the planned society, and that foremost aspect of his achievement undoubtedly accounts for the curious historical fact that Dr. Finer, like so many of his kind, our own New Dealers included, had what may be called his Mussolini phase. In Italy, whatever else was true, all of the predatory beasts of capitalism—naming only free enterprise, free competition, free prices and free capital—had been chained down, and Dr. Finer went to see them in their cages. In 1935, he wrote a book entitled, "Mussolini's Italy." In such a book of course he would be obliged to deal with the unforgivable sin, which was Mussolini's treason to socialism. But he dealt with it very charitably, saying that by events and stupidity Mussolini was "driven further and further into a murderous fight with official socialism." Then he added wistfully: "What could he not have done were he then at the head of the party!"

What indeed. He might not have been hanged upside down after he was dead, like a pig, by the infuriated people upon whom he had conferred the blessings of a responsible government and the planned life—save only that he did not call it democracy. He was superior to others who had made their way to the front of the socialist party and it

was the party's loss, for, according to Dr. Finer:

"There was in him, not yet fully developed but ready to be formed and evoked by events and emergencies, the additional dimension which lies between talent and genius, between mere respectability and greatness. It was composed of an intensity of feeling, a subtlety of apprehension, a plasticity of the responding course and tactics of action. In addition, there was a resolute rejection of common scruples, and considerable courage. He was eloquent, with considerable histrionic gifts."

And of Mussolini the dictator, he wrote:

"Applause for the result is not the logical consequence of appreciation of ability: and we are surely not condemned to that impoverished type of destructive judgment that demands that we shall deny the excellence of the qualities because we do not happen to think that the world is well served by them. Let us recognize that here are superlative faculties, and that the world would be poorer for their nonexistence or the loss of our capacity to appreciate them."

Mussolini's technique of responsible government—that was admirable. And so enough of Dr. Finer.

Barbara Wootton

A SERENE and honestly weighted discussion of planning is rare. Mrs. Wootton stands with the planners, but with misgivings; and for what she says about the difficulties and dangers they might very well disown her. She sees the unsolved problems, and the integrity of her mind is such that she feels obliged to state them clearly, even at the risk of hurting her own case. Indeed it would be possible to select out of her book, and not unfairly, a series of admissions so extremely damaging to the theory and philosophy of planning as to seem almost fatal. How then can she hold her ground? She can hold it because it is idealistic, not rational. Her conclusions are romantic and sentimental, as when she says:

"A happy and fruitful marriage between freedom and planning can in short be arranged."

One weakness of planning, as Mrs. Wootton concedes, lies in its first two basic assumptions, namely, that "a common good exists in the sense of ends that would be freely chosen by all members of the community," and, that such common good not only exists but "can be known." As to this difficulty she says, "I shall cheerfully suggest that it is practically insoluble." But although there is no technique whereby the planners may determine exactly what is the common good, or whether the people really want it, still we must "recognize that it is possible by taking thought to arrive at better answers than those reached by the wholly thoughtless." Here you have a typical example of her reasoning and of the conclusion that does not necessarily follow. It is an example also of how at a difficult point the words

may be changed. The kind of planning she is talking about is one thing; taking thought is another. There probably never was a society that failed to take thought about itself; there has never been one that was quite thoughtless and arrived at its answers in a thoughtless manner. Then her honest misgivings appear, and she says:

"Granted that some common needs exist and that these can be, if not known, at least the subject of better or worse guesses, freedom still demands assurance that it is for these needs and no others that the planners shall in fact plan. This is probably the most tricky part of the whole business; for the observed behavior of human being in positions of power hardly justifies an easy assumption that they will automatically act, according to the best of their ability and understanding, 'on behalf of all and for the benefit of all.' The fact that this assumption is so generally, and so lightheartedly, made by those who are convinced of the beneficial potentialities of planning is no doubt a tribute to the good hearts of those who make it. They generously ascribe to others their own good intentions, picturing all planners as men and women as zealous and public-spirited as they are themselves. It is a generous optimism: but the prudent will not forget the fact that planning is not possible without power, and that power, whether in the hands of prime minister or railway guard, is potential tyranny. A wise choice of planners and a watchful eye on plans may well be the price of freedom."

All planners admit that for the blessings of the planned life the individual must be willing to surrender some freedom. Therefore, freedom must be redefined and broken down in order that people may be persuaded to surrender parts of it in exchange for security and status. Thus, Mrs. Wootton says, "it is freedoms rather than freedom which matters," and "freedoms" may be classified, as, for example, "civil, cultural, political and economic freedoms." Then you begin to see that freedom itself must be planned. "The problem of planning for freedom," she says, "resolves itself into the problem of determinate planning for indeterminate cultural ends." Having written it, she looks at it and says: "Stated thus it sounds insoluble,"—as it may well be. Once again, however, "we need not despair." The first condition is that cultural planning must know where to stop. "One must decide on its merits in each instance whether it is expedient to retain a privately-owned press, privately-owned schools or to permit a public monopoly in broadcasting. These are not so much questions of principle as expediency." And having written that freedom, therefore, is a matter not of principle but of expediency in a given case, her misgivings rise again, and she says:

"The nineteenth-century thinkers, whom it is now fashionable to decry, were consistent and right in their assumption that political democracy implies a rational approach to politics. They were wrong only in exaggerating the actual rationalism of the actual electorate. If it should unhappily prove true that men and women generally cannot ever attain the degree of rationality

which political democracy demands, the answer would not be that an up-to-date democracy should treat them as the irrational creatures that they are. The answer would be that a free democratic society is impossible. There are no short cuts to freedom."

There is really but one argument for the planned life, namely, the argument that it will benefit the common man. Who is this common man? In modern society he is, generally speaking, the wage earner. And when they come to the wage earner all planners are in trouble. How shall wages be planned—that is to say, fixed? How shall labor be planned—that is to say, coerced, if necessary? In his book, "Full Employment in a Free Society," Sir William Beveridge goes round and round and finally says that labor must be reasonable. If it will not be reasonable then of course the planners must fix wages and direct labor. He has the honesty to say that in his free society labor must be coerced if necessary. To what end must it be coerced? To the end of the common good, of course—the common good of the common man. Coming to the same place, Mrs. Wootton says:

"The long and the short of it is, then, that planned production implies either compulsory industrial direction or a planned wage structure. Yet there is no sanction by which a given pattern of relative wages can be enforced which does not involve encroachments on existing liberties such as would widely be thought to be intolerable. I do not think that we should underestimate the seriousness of this dilemma."

She, too, hopes that labor would be reasonable, she can imagine that the unions would undergo a revolutionary change of philosophy and assist "in their own metamorphosis," and adds:

"It would be one of those cases in which a freedom was retained on condition that it was exercised with exceptional discretion."

And if it comes to the worst:

"We shall be driven like the Russians to control mobility"—(meaning by mobility the coercion of labor)—"by imposing economic penalties less harsh and wasteful than unemployment."

Her best chapter, and the least rational, is the last one, entitled, "Who Is To Plan the Planners?" She believes she has demonstrated that "there is nothing in the conscious planning of economic priorities which is inherently incompatible with the freedoms which mean most to the contemporary Englishman or American." However:

"Here, of course, there can be no secure guarantee. All the old clichés are just as true as ever they were—power still corrupts, absolute power still corrupts absolutely, and eternal vigilance is just as much the price of liberty as ever it was."

But if the planners are wise, benign, unselfishly devoted to the common good and intelligent enough to know what the common good is, why then:

"One may indeed anticipate that the system under

which no qualifications whatever are constitutionally prescribed for candidates for the highest elective offices will not last forever. Sound democratic theory does not require that the business of government should be as much open to the ignorant, the incompetent, or the senile as to those who are endowed with good faculties of which they are still in possession. Sound democratic theory, and the protection of freedom in particular, does require that we who are to be governed should retain the right to accept or reject from within the field of those who have attained a proved minimum of competence, those whose government seems to us more or less to be preferred. . . ."

In the same way that "we who are to be governed" would choose a king and hope for the best.

The word planning now is acting on the mind of society as a drug. One use of it is to induce in people that mood of nonapprehension in which the fig trees, weary of self-government, said to the bramble, "Come reign over us." The further use of it is to give a modern glitter, as of something new, to a problem that was already old when the ancients were trying to solve it. Mrs. Wootton thinks she is addressing herself to the question: Is freedom compatible with planning? That is not the question. The question is: Can freedom survive a further extension of the power and authority of government? John W. Burgess, who wrote the great American classic* on this subject, began by saying, "It has been the search of ages to find the political system, the travail of ages to construct one, in which government and liberty shall be reconciled . . . Mankind has always been and still is in danger of diverging from the true path which leads to it, toward despotism on the one side and anarchy on the other." The true path, he said, was toward constitutional, representative, limited government, with first emphasis on the word *limited*. No planner has ever been heard to propose limiting government; all of them alike want more government, with more power to coerce the individual in the way they think he should go. They lead therefore not to anarchy, which is no government, but toward despotism, which you may call communism, socialism, totalitarianism, or anything you like, only provided it is the planned life.

*"Reconciliation of Government with Liberty."

John R. Baker

EVEN BEFORE the atomic bomb people knew in a vague kind of way that science was on the defensive. Where was it going? Was it morally irresponsible? Would it not be well if it took a long holiday and let the world catch up? Such questions

were quite common and not unthoughtful. Then suddenly the release of atomic energy deeply altered the view. It is no longer possible to imagine a science holiday. On the contrary, the work of science must be intensified and organized in defense of the state because the old armament race is superseded by the research race; and now when people ask, "What shall we do with science?" they are thinking how its old freedom—freedom of behavior and communication—may be reconciled with military security. In this country at least any thought of limiting its freedom has been based upon considerations of necessity. The lay mind is competent to regard these problems; in any case it is the lay mind that will have to act upon them, short of what Winston Churchill calls a scientific government, which probably is not imminent.

But science at the same time has problems of its own. Few people seem to realize how deeply the scientist himself has become involved in the conflicts of political ideology and that one tragic consequence of this fact is that the freedom of science has been stabbed in its own house. In this small book entitled, "Science and the Planned State," Dr. Baker, of Oxford University, opens the door of the lamasery to the wild winds of public opinion, invoking judgment on what is taking place within, and what he says will no doubt give rise to great scandal. In the introduction he says:

"Nothing less than a realization of the gravity of the situation would induce me to copy those with whom I disagree by ascending the pulpit. Some one, however, has got to do it. Opinion is inevitably formed if all the talking and writing come from one side. Only one point of view is being presented as to the moral obligations of scientists. That point of view leads by insensible steps to the conclusion that scientists should be subjected to inquisition to secure conformity with political dogmas. By a twisting of the English language a policy that involves reversion to the cruelties of the Middle Ages is presented as the course of progress."

And anyone who thinks this may be an extreme statement should read a book entitled, "The Social Relations of Science," by J. G. Crowther, who says:

"Inquisition is beneficial to science when it protects a rising class. . . . Those who had revived the Inquisition, like the Pope in Gallileo's time, had a better understanding of politics (than most scientists of today), and realize that in crises the possession of power is more important than the cultivation of intellectual freedom. . . . The danger and value of an Inquisition would depend on whether it is used on behalf of a reactionary or a governing class."

Mr. Crowther may be understood to speak for the left wing of science in England. During the war he was secretary of the science section of the British Council.

Everyone knows how in Nazi Germany science was stultified and degraded. There was no such thing as truth as truth, nor science as a way of

finding it—only Nazi truth and Nazi science. "Science," said Hitler, "is a social phenomenon and like all other social phenomena is limited by the benefit or injury it confers on the community,"—benefit or injury according to the Nazi creed. "We do not recognize truth for truth's sake," said the Nazi professor at Heidelberg. Everyone should know, and many do know, that the totalitarian idea produced the same effect in Russia, not at once but in the second Five-Year Plan, which was the first to include science. Among seven subjects laid down for study in the five-year plan for science was "a provision of the historical and social theory for combating the ideas of capitalism, and dissolving the prejudices which survive in the minds of the people and have been transmitted from earlier forms of society."

But how came there to be a left wing of science in England? Dr. Baker thinks the infection began at the International Congress on the History of Science held in London in 1931. At the head of the Russian delegation was Bukharin, who argued that Newton, if not the law of gravity itself, was a product of the social and economic conditions of England at the time, and that science, like all other economic phenomena, should be subject to the will and direction of the state. From this it follows logically that you have a communist science and a capitalist science and they are not the same. For a while the British would go only so far with that idea as to emphasize those values of science which serve the material and social needs of man, but this was already a compromise with the beautiful classic tradition that science had a free world of its own and was an end in itself. Then as socialism advanced in England and as the idea of planning grew the steps were short to the ultimate proposals for the planned life, which would include of course planned culture and planned science. "The central planning of science," says Dr. Baker, "is essentially part of the totalitarian theory of the state" and by totalitarianism he means:

" . . . those systems of government in which the actions of individuals are to a great extent controlled by a central planning authority. It is the antithesis of anarchy, but as that is a system which no country has ever adopted, the most exact opposite in the world of reality is liberalism. It is strange to reflect that there is so little memory today of what liberalism stands for, that the man in the street thinks of it as intermediate between socialism and conservatism. This idea is misleading. If we wish to arrange the various political systems in linear order, it may be suggested that liberalism should be placed beyond, not between, socialism and conservatism. At one pole come the totalitarian systems (nazism, fascism, and communism), in which the state is all-powerful and ruthless and the individual deprived of liberty. Next come socialism (in the narrower sense) and conservatism, under both of which the state has great power but avoids ruthlessness and allows some liberties to individuals. At the opposite pole to totalitarianism stands liberalism, the system which puts the liberty of the individual above all else and regards

the state merely as a mechanism for minimizing people's interference with one another's freedom. It is in this sense, then, of antithesis to individual liberty that the word totalitarianism is used in this book."

The time has come, Dr. Baker thinks, for the scientist to assume political responsibility. And what should the attitude of the scientist be toward politics? It should be somewhat like this:

"The scientist knows that the scientific outlook changes radically as a result of new discoveries. This teaches him not to be a dogmatic adherent to any political party, and it also teaches the much profounder truth, that the irreversible must above all be avoided. The scientist knows that again and again he and other scientists are wrong in the conclusions they draw from factual evidence. He knows also that it does not matter, because nothing irreversible has happened as a result of his wrong conclusions. He is always ready for change. In politics, therefore, where everything is much more uncertain, he must raise his voice against all irreversible decisions, or decisions reversible only by bloody revolution. He is willing that any form of government whatever should be tried, provided that it can easily be reversed if people find, on free and open discussion, that they do not like it. For this reason it is consistent with the scientific outlook that he should oppose all tyrannical monarchies, such as that of the Czars, and all totalitarian regimes, whether national socialist, fascist, or communist. He may be a liberal, a conservative, or a socialist in his political views, or may hold any opinions whatever on economic matters; but if he is determined that, once his policy is put into practice, nothing but a warlike revolution shall change it, then he has left the scientific spirit behind him in the laboratory."

At the end there is this letter of reflection:

"It can never have entered the heads of J. S. Mill and the other great apostles of liberty that the very people who owe their liberty to them would seek to destroy the gift. Nevertheless, it seems that the common man has not an urgent desire for liberty of action, and is prepared to use the vote granted to him by liberal-minded people to destroy not only his own liberty, but that of uncommon people as well. It is impossible to imagine that the common man understands the conditions under which great work in science, philosophy, or music can be done: he is prepared and actively encouraged to think that the only thing that matters is his own material welfare. Further, he is apt to think that he has only to hand over the control of the affairs of the nation to a central planner and his economic welfare will be assured. The central planner has told him so."

Not popular reading. G. G.

The radical parties almost everywhere become parties of pure expediency, lacking any clear principle, and for that reason continue to drift toward that totalitarian socialism which, at the same time, they are beginning to dread.—*Friedrich A. Hayek.*

"As I look into the immediate future for world justice I see two friendly approaches to it—directed democracy and free enterprise democracy."—*Henry A. Wallace.*

American Youth in Soviet Russia

From *Information Bulletin*,* Embassy of U.S.S.R.

THE American Youth Delegation has now toured many parts of the Soviet Union. The young Americans were invited by the Soviet Youth Anti-fascist Committee to visit our country to learn something of the life and work of Soviet youth. The delegation consisted of twelve persons, including representatives of student bodies, of the Negro Youth Congress, the American Youth for a Free World Organization, the Young Women's Christian Association of America, and other youth organizations. Joseph Engel, leader of the delegation, also headed the United States delegation to the World Youth Congress in London in November, 1945. Elsa Graves, member of the delegation, is vice chairman of the World Federation of Democratic Youth, founded at the London Congress last November.

Tell Impressions

During their stay in the Soviet Union, the young visitors learned many details of life in the Soviet Capital and visited Leningrad and Stalingrad, and the Georgian Soviet Republic.

At a press conference held in the offices of the Soviet youth newspaper, *Komsomolskaya Pravda*,

**Information Bulletin*, issued three times weekly by the Embassy of the U.S.S.R. at Washington, is probably the most effective piece of Communist propaganda now appearing in this country. It is very well written, with no evidence of translation, and finely printed on hard paper. The editing shows a keen sense of news interest from the American point of view. Prior to February 10, several issues were devoted to the Soviet election in language familiar to the American reader—the nominations, the acceptance speeches, the campaign oratory and the doings of the candidates, all of whom might seem to be exerting themselves to get elected. The editors, however, were not so stupid as to emphasize only the similarities. The one great dissimilarity had to be explained. This was done by one George H. Hanna, writing from Moscow, on "Why One Party Democracy." As one who had been brought up in the atmosphere of party politics he was competent, he said, to answer the critical question so often asked about "the Soviet Parliament,"—the question, namely, why there is no opposition? His answer was to ask: "How indeed can there be any opposition? Opposition presupposes conflicting interests." Since in Russia there are no conflicting interests, he finds that "there is no reason for more than one political party."—Editor.

the young people told of their impressions. The conference was attended by more than 40 representatives of the Soviet and foreign press.

Speaking in the name of the whole delegation, Joseph Engel said he would like to give his audience some details of the history of the delegation.

The members of this delegation were elected by sixty-two American youth organizations to represent their country at the World Conference. Part of the delegation had to return to the United States after the Congress, as they were employed, while the remaining twelve continued on their way to the Soviet Union. Engel said that the delegation was very warmly received by the Soviet Youth Anti-fascist Committee, who discussed their itinerary with the delegates. "They asked us what we wanted to see, with whom we wanted to talk and what interested us," Engel said. The itinerary was drawn up in accordance with the wishes expressed by the delegates.

In the course of the tour, this program was extended. If the delegates pointed to any particular house during the visit to a collective farm, they were immediately taken to that building. Once, when the delegation was visiting the Moscow subway, they got out of the train at Dynamo Station. They asked if the station was in any way connected with the football team then in England and were told that the station took its name from the clubs of the stadium which was close by. They asked to see the stadium and were taken there.

"Sometimes," said Engel, "we stopped people on the streets and asked them questions."

"I am telling you this," he continued, "so that you will know that the tour was conducted in an atmosphere of warmth, with a friendly desire to show us everything we wanted to see. We realize the importance of this trip, as we are the first representatives of American youth organizations to tour the Soviet Union. In our opinion, this visit is a concrete example of the way in which the friendship of the youth of different countries should be developed with the aid of the World Federation of Democratic Youth."

The speaker then went on to say that probably the deepest impression on the delegation had been made by the sincere desire of the youth of the Soviet Union to establish friendly relations with the youth of the United States.

Desire for Peace

They had also been greatly impressed by the desire on the part of the Soviet people for peaceful labor and reconstruction.

Engel said that during their stay they had become fully aware of the material difficulties which the Soviet people were experiencing, but they had seen something which was much more important than that unobtainable dress or pair of shoes: the

firm conviction of everybody with whom the delegation spoke that they would soon have these things.

Doris Senk, another member of the delegation, was particularly impressed by the work done by the educational authorities, the educational system and the work of the various public bodies in the U.S.S.R.

"I was very interested in the extensive opportunities for cultural development and education that are available to the Soviet youth," she said. "We visited kindergartens, schools, universities and Pioneer Palaces and Houses. Wherever we went, I saw the great effort that is being made to develop the individual creative abilities of the children. When we visited the kindergarten and saw how three and four year old children sing and dance, we recalled the difficulties that the teachers in America have with children of this age, even in the most progressive institutions."

Talent Encouraged

Doris Senk went on to relate how they had visited the Moscow Conservatory of Music. They saw the individual training given to talented young violinists, singers and pianists, to whom all roads were open, and recalled that in the United States a large number of talented children are forced to break off their education because of material need or because they are uncertain of what the future will bring.

While in the Soviet Union, the delegates never encountered a case of talent trying to flourish in a vacuum: every one of the young musicians regarded himself as a part of society and regarded his art from the standpoint of pleasure it could provide for those around him.

"We felt this absence of egotistic desires with special clarity," Miss Senk said, "after we had visited Leningrad University and had talked with the students who had fought in the war."

She concluded by saying that the Soviet educational system was a real discovery to her. She was most impressed by the fact that when a Soviet youth leaves school, he knows exactly the place that he is to take in life.

She said that her own generation of American youth, who finished school during the war, were lucky in the sense that there was work waiting for them. For a long time before the war, however, even American boys and girls who were graduated from good schools had to accept any sort of work that presented itself. When the Soviet youth has learned a trade or profession, however, he knows that he will always have an opportunity to follow it and to show his abilities at it.

Saw Stalingrad

The next speaker was Betty MacKendlass who began by speaking in the name of Elsa Graves who had left that day for London. She had delegated Miss MacKendlass to greet the Soviet youth in her

name and tell them that she hoped the World Federation of Democratic Youth would be successful in strengthening friendship among the youth of all countries.

"Now, about myself," continued Miss MacKendlass. "My greatest impression is of Stalingrad. We saw the terrible ruins of Stalingrad, but the impression we got from them was not oppressive, for we saw what the youth of Stalingrad, together with the young people who have come from other parts of the Soviet Union, are doing to rebuild the city.

"I was astonished by the fact that among such ruins schools exist and are functioning and that three theaters and a cinema are open. The director of the theater which we visited was full of excuses about the shortcomings in the work of his theater. He said that the building did not look good enough for a theater, but we thought it was wonderful.

"We visited the Stalingrad tractor plant. We talked with the young workers there. Some of them were still very young, but they all knew what they were working for."

Betty's Education

Betty Green said that she had just graduated from high school before she left the United States and that her knowledge of the Soviet Union was no greater than that of any other high school pupil in the United States.

"I knew about the form of government in the U.S.S.R. but knew nothing about the life of the people here. I felt a deep respect for the Red Army, but knew nothing about it," she said.

Miss Green, who comes from a country district in New England, was especially pleased with the visit the delegation paid to a collective farm in Georgia.

"The Soviet farmer," she remarked, "works to improve the life of all the peoples of the Soviet Union. He does not work only for himself. In addition to his work, he also finds time for cultural recreation."

Molly Lieber, who represents the American Youth for a Free World Organization, was particularly interested in the policy on national minorities of the Soviet Government. She said that the Soviet policy of establishing complete equality between the various nationalities had always met with the approval of American youth, and that when the delegation were in Georgia they had an opportunity to see how it worked in practice.

"We were given an opportunity," said Miss Lieber, "of seeing Georgian cultural achievements. The splendid dances of Georgia and the song and dance ensemble in Tbilisi [Tiflis] were very impressive. When, after a five-hour trip through the mountains, we visited a collective farm, we saw an amateur troupe perform a play based on Georgian history.

"With great pride in his voice, the chairman told

us that his farm has a library and two cinema theaters. We visited the houses of the collective farmers and saw how culture has penetrated into the home."

Miss Lieber added: "We were greatly astonished at the unanimous support which all the peoples of the Soviet Union give to the Soviet Government and the trust and love which Generalissimo Stalin enjoys, not only in big cities, but even in those distant collective farms which we visited."

Will Report

In reply to a question put by one of the correspondents regarding the way the members of the delegation proposed to tell the youth of the United States of what they had seen in the Soviet Union, Miss Senk answered: "Shortly before we came here, we discussed the question of reporting on our trip to our organizations. Every member of the delegation realized that, as the first American youth delegation, we had a big responsibility.

"In view of the fact that our young people are deeply interested in the life of Soviet youth, we decided that we would write a pamphlet on the life and work of the youth of the Soviet Union. We shall distribute this pamphlet among the members of the organizations which we represent and also among the hundreds of thousands of young men and women of America who do not belong to any organization. Members of the delegation also plan lecture tours on the London Youth Congress, and on the trip to the Soviet Union."

Religious Freedom

In answer to a question of whether the delegates representing religious organizations had met with the representatives of the church in the U.S.S.R. and of their impression of the position of the church in the U.S.S.R. Miss Green replied that she had visited several churches and had spoken to churchgoers. These services and talks had given her a conception of the complete freedom of religion and religious rites in the Soviet Union.

One of the foreign correspondents asked the delegates whether they knew William White's book on Russia, which distorted life in the Soviet Union, and for their impression of that book compared with their own impressions and experience of the Soviet Union.

Miss MacKendlass answered this question.

"Members of this delegation," she replied, "came here with minds much more open for objective observation than did William White. The fact that the book was published for the conduct of a certain campaign, we think, plays a big role in determining its character. We did not feel ourselves bound by any internal or international considerations.

"We came to see freely and we believe what we have seen completely refutes White's book."

The Party Line

From *The Daily Worker*, official organ of the Communist Party

War

Winston Churchill's speech proposes an American-British war machine to dominate the world. It follows the speech of Secretary Byrnes in which American monopoly capitalism bluntly spoke its dream of world domination, with British imperialism as junior partner. . . .

The actual truth is that Britain and the United States are now engaged in a policy of imperialist blackmail aimed at the Soviet Union. . . .

The people of America must give a resounding answer to Churchill's call for a war upon the Soviet Union or we will be in a third world war before we know it.—*Chairman William Z. Foster of the Communist Party.*

Washington and London have deliberately created an international crisis in order to advance their plan of world aggression. . . .

While politicians and press launched the "get tough with Russia" campaign, the U. S. Army and Navy organized Arctic exercises facing our Soviet neighbor. . . .

The present danger to peace comes from the expansionism and aggression in Washington and London. . . .

Actually, it is British imperialism and the Wall Street oil trusts which are a menace to Iran's growing democratic movements. . . .

American and British imperialists are now frantically trying to stampede the capitalist world into a general war against the Soviet Union.—*William Z. Foster.*

No sooner are our soldiers coming home from one war, but Mr. Churchill proposes another one. And what Mr. Churchill proposes, the President of the United States applauds. . . .

Those reactionaries and hate-Russia fanatics who believe that a war against the U.S.S.R. would be an easy task and that the peoples of the capitalist world would join enthusiastically in an all-out war against that country upon a call by the United States and Great Britain, with the blessing of the Vatican and the help of conservative Social Democrats, and, of course, the fascists, are politically insane. . . .

Such a program would prepare the U.S.S.R. "for any eventuality" said Stalin, and would bring Soviet economy roughly to the American war level.—*Joseph Starobin.*

The Bomb

There has got to be an end to this connivance with atom-bomb bullies, militarists and would-be

rulers of the world who now dominate American foreign policy. . . .

The real criminal in the spy scare turned out to be the war-breeding secrecy policy of Washington and London. . . .

Vandenberg is pushing his plan because the administration's policy of expansion and bullying rests on the exclusive control of a secret weapon. . . .

The atom spy scare was sprung in Washington and London by those militarists and monopoly agents who feel that the time is ripe for new aggressive adventures in Europe and the Far East. . . .

What originally started out as the revelation of a "sinister Soviet espionage ring" in Canada has finally exploded, and turns out to be something far more sinister—a deliberate anti-Soviet provocation manufactured by the Canadian Government, which is serving as a stooge for American and British imperialism. . . .

It is for this reason that the Truman and Hoover politicians are launched on the biggest armament program in our history, why they brandish the atom-bomb secret against the world, and why Secretary Byrnes calls for peacetime conscription. . . .

The Vandenberg plan is to turn over atomic energy to men who are itching to use it as a secret, sudden, murderous weapon.

The Soviet state will not be atom bombed out of existence, as the atom-bomb reactionaries dream. any more than Hitler's mighty army could defeat it. . . .

In foreign policy Truman continues the general policy of atom-bomb aggressiveness and concessions to the enemies of Big Three unity. . . .

Former Ambassador Joseph E. Davies has gone

Life Saver

From *The Daily Worker*



to the root of the matter when he points out that the Anglo-American policy of secrecy on atomic power lies at the bottom of the current Canadian spy scares. We would add that atomic policy is only a phase of the expansionist program on which American imperialism is embarked. . . .

The whole rumpus about espionage arises from the decision of President Truman and Premier Attlee last autumn not to share atomic energy freely and frankly with our major allies. The failure to share this knowledge is the root cause of what Davies calls the "present chaotic mistrust" among the great powers. . . .

Does the U. S. support for the atombomb commission at London mean anything if we decide to explode one hundred million dollars in a mid-ocean bomb test proving our superiority over the world? How many American families now striking for decent wages could be fed with \$100,000,000?

Hoover

HOOVER'S CRY: HIT 'EM IN THE BASKET.

Once more the great engineer gets the task of starving out European democracy. After World War I, Hoover headed American relief in Europe. He prided himself on his reputation as a "humanitarian." But Hoover's charity had a purpose to it. "Famine is the mother of anarchy," Hoover always insisted; and "right feeding corrects wrong thinking." . . .

Mr. Hoover in 1914-1918 used his power as food administrator to foster reactionary regimes throughout Europe. Food was withheld from areas where the people threatened the old order.

Labor

It is high time, therefore, that the labor movement of this country take up seriously the question of nationalization. Let organized labor reply to the arrogance of General Motors, General Electric, Western Union, U. S. Steel and other big monopolies by raising the slogan of the nationalization of these industries.—*William Z. Foster.*

There can't be real democracy until the majority of the American people own and control the industries on which they depend for their livelihood, which would be socialism, the highest democracy. . . .

Like a lynch mob deprived of its victim. That's what most New York papers looked like yesterday morning after the transit settlement was announced. Robbed of their hope of a lynching bee, the publishers consoled themselves with "Quill Gives In." . . .

The kind of message that President Truman has delivered to Congress shows that he took a good look at the picket lines. . . .

In rejecting the steel trust's trap, Truman told the nation that he thinks labor and capital are "getting too powerful" for the country's good. This can lead down a dangerous path. To say that labor is "getting too powerful" is to say that the people are getting too powerful. . . .

Hundreds of thousands of Americans met their "first Communist" on the picket lines. . . .

The CIO is not forgetting its political struggle while its members are on picket lines. Murray's directives will undoubtedly be discussed in every shop by every member. They should be supported with a strength and enthusiasm that could send the CIO toward new historic advances. . . .

Communists showed their courage, loyalty and leadership in the recent strike struggles as they are proving their mettle on the picket lines still facing the arrogant trusts. . . .

The chances are far better for us Communists, if we build our party, to help sharpen the class outlook of American labor and increase the determination of the working class to achieve the "senior" position in American society.

At Large

Mr. Baruch pleads for the right to give charity to those whom the capitalist system degrades and stultifies. . . .

The United States is clearly intervening in discussions between two sovereign countries—China and the Soviet Union—on the subject of how the Japanese plants in Manchuria shall be divided. . . .

Gen. Douglas MacArthur's reaction to Soviet criticism about conditions in Korea proves beyond a doubt that the American commander in Tokyo is bitterly anti-Soviet and unfit for the chairmanship of the projected Allied Control Council in Japan. . . .

The whole noise from Teheran and Washington is clearly the work of the most reactionary noblemen in the Iranian parliament who are encouraged by the Byrnes-Vandenberg addresses and want nothing less than an American intervention in Iran—an armed showdown with the U.S.S.R. . . .

Truman and Churchill have forged an infamous formula—that wherever there are peoples' movements to get rid of the old landlord system and the feudal monarchies, that is proof of "Soviet infiltration." . . .

Who ever said that freedom for anti-fascists must also require freedom for fascists? In words that should ring round the world wherever there is any true political morality, the Soviet delegate Vishinsky smashed this argument: "Didn't we pay too much for such tolerance in the past? I refuse to accept such tolerance which is known in history by the name of Munich."

Mr. Wein's Experiment

IN THE next column is a reproduction, somewhat less than half size, of the first page of the report issued November 1, 1945, by the Department of Commerce to show the ability of the motorcar industry to pay much higher wages out of profits. It was upon this report that the union publicly based its case against the General Motors Corporation for a 30% increase in wages with no increase in the price of cars. The purpose of reproducing the first page is to show that it was, on its face, an official report. There is nowhere in it any word or suggestion to the contrary.

It begins with this positive statement: "*Under the high level operations which the automobile industry will experience over the next few years it can grant a substantial wage increase and make high profits.*"

The conclusion on page 5, also positive, was as follows: "**SIGNIFICANCE:** *It is apparent that present cost-price relationships are such throughout industry that a basic wage increase is possible without raising prices . . . Some industries can afford more, some not so much. The automobile industry is in the former class—15% can be granted without adverse results in the first postwar year of restricted operations, and a further increase of 10% can be made for 1947 when production will have reached peak level.*"

And even so, profits would be one third higher in 1947 than in 1929, which was the industry's best year.

On March 15, Mr. Wallace canceled the official status of this report, saying: "The projections were not intended, nor should they have been regarded, as official forecasts of costs, prices or profits for the automobile industry or for industry as a whole." It was not an official report at all, he said: It was the work of one Harold Wein, who was only experimenting with "analytical techniques."

Nevertheless, through the whole of the bitter General Motors strike the report maintained its official status and once when it was challenged Mr. Wallace defended it in a letter to the Automobile Manufacturers Association saying: "This study was prepared by able statisticians who analyzed all available data, such data coming in large part from the public reports of the automobile companies. There is no basis for your conclusion that the public was grossly misled by this report. . . . It was clear from

Analytical Technique Only



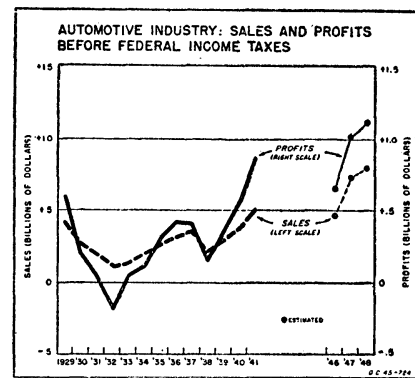
DEPARTMENT OF COMMERCE
OFFICE OF THE SECRETARY
WASHINGTON 25

October 25, 1945.

DOMESTIC ECONOMIC DEVELOPMENTS

UNDER THE HIGH LEVEL OPERATIONS WHICH THE AUTOMOBILE INDUSTRY WILL EXPERIENCE over the next few years, it can grant a substantial wage increase and make high profits. The automobile industry is not an average case, but it is illustrative of industries with high earning power under conditions of volume operations.

Using projections of the probable sales for the next three years, profits were calculated after an analysis of cost-price relationships. The resulting estimates are shown on the chart below. Using 1942 prices for the products of the industry, this chart is drawn on the following assumptions with respect to passenger car production and the changes from current wage



the outset that the report presented conclusions for the industry as a whole. It did not say that every company was in a position to give an equal wage increase."

Now he says: "Such projections, although based on what seemed to be a reasonable range of assumptions, were not intended, nor should they have been interpreted, as forecasts of what would actually happen."

He does not say what in that case such projections are for nor what in the particular case this one was for.

But Mr. Wallace still holds for "analytic techniques," and thinks it would be "highly desirable for economists and statisticians in business, in universities and in government to cooperate toward the improvement of them." Mr. Bowles has admitted that some of the OPA's analytic techniques went wrong. Certainly they will have to be perfected before the government can undertake to foretell the conditions of full employment.

A BUREAUCRACY is sure to think that its duty is to augment official powers, official business, or official numbers, rather than to leave free the energies of mankind.—*Walter Bagehot.*

What Is Happening to the Law*

By Roscoe Pound

"A give-it-up philosophy of law and government is being widely taught."

"We are told that what the government does is law."

"We have been coming, in practice, to what may well be called administrative absolutism."

LAW is a word of many meanings. But as lawyers use it the primary meaning is a body of authoritative guides to the decision of controversies which the courts hold themselves bound to follow and which serve, therefore, as rules of conduct to the individual and as the bases of prediction to the counselor.

Law has another meaning, however, to administrative officials who exercise wide undifferentiated powers of rule making, application of rules, and determination of controversies. To them, law is whatever is done officially, and so administrative law is whatever is done by administrative agencies. What they do is law because they do it. Today there are many who teach that the administrative official, as one recent writer put it, has the touch of Midas. What he touches becomes law when he touches it.

Such ideas come to us chiefly from the modern Roman administrative régime of continental Europe. Continental Europe inherited and developed the Roman administrative tradition. We in America inherited and developed the English judicial tradition.

In a sense the rise of administrative tribunals and administrative adjudication in the United States might be said to begin with the setting up of the Interstate Commerce Commission in 1887. But it had its beginnings in the states at least a decade before. A changed attitude toward administration begins to be manifest in the courts as far back as 1880. It had become necessary with the development of administration in an increasingly urban, industrial society. . . .

There was a steady growth of administrative agencies in the states in the last decade of the nineteenth century and the first decade of the present century, as part of the rise of social legislation. At first, this produced a certain friction with the courts.

The situation was aggravated by retarded development of simple remedies by way of judicial review of administrative adjudication. The common-law remedies for review of administrative action were not devised for the administrative agencies which were being set up, and review by suit in equity, which had to be resorted to in the absence of other adequate remedy, was likely to have the incidental effect of substituting the discretion of the court for that of the administrative agency.

In the first decade of the present century, there began to be a changed attitude toward social legisla-

tion and a steady improvement of procedure in the courts, so that the condition which obtained in the last quarter of the nineteenth century was disappearing. But the attempts of administrative agencies to achieve independence of law and of judicial scrutiny of their action have gone on as if the legal procedure of the nineties and the judicial attitude of the last century still continued.

A Revolution

As far back as 1907, a tendency to relieve administrative agencies from judicial review wherever and so far as possible had been noticed. Today, exemption from judicial scrutiny of its action seems to be the ambition of every federal administrative agency, and is urged by a group of writers and teachers with increasing insistence. As a result, with the multiplication of these agencies in the Federal Government, the increasing subjection of every form of activity to administrative regulation, and hostility of administrative agencies to all attempts to impose effective legal checks upon them, we have been coming in practice to a condition of what may well be called administrative absolutism. This is nothing short of revolutionary in our American polity, and some academic teachers of the science of politics do not hesitate to pronounce it a revolution and to praise it as such.

It is especially important to bear in mind the checks upon the courts which do not obtain, or in our practice are ineffective, as to administrative agencies. Four of these checks are significant.

First, in a court the judges hear both sides of every point scrupulously. Rules of law which have entered into their everyday habits of action lead them to insist that everything upon which they are to base an order or judgment must be before them in such a way that no party to be affected can be cut off from full opportunity to explain or refute it or challenge its application to his case.

Secondly, the decision of a court is subject to criticism by a trained profession to whose opinion the judges, as members of the profession, are keenly sensitive.

Thirdly, every decision and the case on which it was based appear in full in public records. In those

*An abridgement by the editor. The full text of Dr. Pound's paper will appear in pamphlet form as a supplement to this number of *American Affairs*. See announcement on inside back cover.

records any one may find exactly what the claims of the respective parties were, what disputed questions of fact and law were before the tribunal and how the questions of fact were determined.

Fourthly, every judgment of a single judge is subject to review by a bench of judges, independent of the one whose action is to be scrutinized and constrained by no hierarchical organization or *esprit de corps* to uphold whatever he does.

The Contrast

Administrative rule making and action is in striking contrast. Often administrative rules and regulations having the force of laws affect interests of as much significance to individuals as those affected by statutes or rules of court—perhaps more. But there are no such checks upon administrative rule-making power. Usually the first knowledge that those affected have of a rule is after it has gone into effect. The first opportunity they have to object to it is usually after it is sought to be enforced against them and they may be afforded an opportunity to attack it in the courts. But by this time serious and even irreparable injury may have been done to an individual and his business. Moreover, the scope given to administrative rule making today is so wide that challenging of details in the courts is not easy and often is not effectively available.

Simplicity of procedure and a nontechnical method are claimed as advantages of administrative justice. But in the hands of agencies and subordinates of agencies not disposed to be scrupulously fair, these simple, nontechnical methods may easily serve as traps for the citizen who is seeking to obey the law.

In a number of recent cases in which serious orders have been made against small businesses by hearing commissioners of the OPA, when they came into court for review it appeared that there had been no willful violation; an employee of the business telephoned to the local office and was given bad advice by some employee of the administrative agency as to what to do. Acting on this advice was considered reprehensible carelessness.

Judged by the Accuser

It is a characteristic tendency of present-day administrative agencies to use as a ground of decision some idea of policy not to be found in the statute or general law nor even in any formulated rule of the agency. It will reach its result on some extra-legal basis for the particular case which it does not hold itself bound to follow in the next case but justifies on some policy nowhere established or declared.

Many of these administrative agencies entertain complaints, institute investigations upon them, begin what are in effect prosecutions before them-

selves, allow their own subordinates to act as advocates for the prosecution, and often make the adjudications in conference with those same subordinates. All this runs counter to the most elementary and universally recognized principle of justice. So thoroughly grounded were the common-law judges in this principle that in no less than four cases between Coke and Holt the courts laid down that even an Act of Parliament could not make one a judge in his own case. As an American court put it:

"One of the rights secured to an accused person by the law of the land is that his accuser shall not at the same time be his judge; that is a principle of law that is fundamental; it is the first requisite to a fair and impartial trial; it is a privilege that the law of the land guarantees to every man when his life or liberty, good name, fame or property is involved."

We are told, however, that administrative agencies cannot exercise their investigatory as well as their determining functions in any other way. But I submit that their investigating functions can be carried on by methods which will give full hearing to both sides and full opportunity to those under investigation to meet, refute or explain everything that is to be used against them, and that if after investigation the agency desires to prosecute it should be required to do so in the courts and not before itself. The Bill of Rights in Massachusetts lays down: *It is the right of every citizen to be tried by judges as free, impartial, and independent as the lot of humanity will admit.* Is this to be a guarantee as to the courts only or does it not apply even more to administrative tribunals where the ethics of adjudication, born of long experience, do not obtain and the checks which surround judicial action in the courts are absent?

Rulers' Agents

We hear nowadays: Why have checks any more? Checks are a hindrance to efficiency and are not needed in a democracy. They belong to the era of reaction from the absolute governments of the seventeenth and eighteenth centuries.

The answer is that the agents who exercise the powers of a politically organized society show the same tendencies no matter what the form of political organization. "All power corrupts," says Lord Acton; "absolute power corrupts absolutely." Too high a price may be paid for efficiency. Something more than what Mr. Dooley called "gentlemanly restraint" is needed if the absolute government of the ruler, whether king or people, is not to become in practice absolute government by the ruler's agents.

Looking at administrative agencies in action in our own time, what are the characteristics and tendencies which require checks?

First we must put excessive zeal—one might often say crusading zeal—on the part of officials and particularly on the part of subordinates, which leads

them to see their relatively narrow task out of proportion. This was notably shown under the regime of national prohibition.

The Absent Party

One very marked characteristic, shown by administrative agencies in Great Britain, Canada, and Australia as well as with us, is a rooted disinclination to hear both sides. The law reports are full of cases which have come before the courts in which there have been one-sided investigations, experiments promoted by and conducted in the presence of one side, in which, naturally, the absent party was proved to be in the wrong, and conferences and interviews with one side in the absence of the other.

There are many cases in the reports in the last year in which administrative agencies made determinations or orders without a basis in the facts. In a typical case the court found that the record "was barren of any evidence" for the basis of the order and that there was no evidence from which an inference of the fact relied on could be drawn. In another, an order of the National Labor Relations Board was held "without support in the evidence." In another, an order of the Federal Trade Commission was set aside as not supported by substantial evidence. In another, the Federal Power Commission, as the court put it, "used a sort of catch-as-catch-can theory," and its disposition, as the court held, amounted to no more than "guessing off a substantial item of value." In still another, the Secretary of Agriculture arbitrarily imposed upon a Boston handler of milk "the obligation to account for milk which he had never seen or touched, which never reached the Boston market, and with the producers of which he had no contractual relationship whatever."

Indeed, a number of these agencies claim authority to disbelieve evidence which is positive, uncontradicted, and not inherently improbable. As the courts have said many times, to allow this is to vest triers of facts with authority to disregard the rules which safeguard the liberty and estate of the citizen.

Zeal

Without any necessary intention of unfairness, administrative agencies have developed a characteristic unfairness in their operation. Zeal for carrying out the special function assigned to them, as has been said, leads them to look at their special task out of proportion and to consider individual rights, constitutional guarantees, and the law of the land as negligible. They are encouraged in this by many teachers of law and government who take what they call a "realistic" view toward the law. A leading teacher of administrative law tells us that the test of administrative determination is the policy formulated, not fairness as between the parties.

And a high government official has intimated that Congress intended one administrative agency to be unfair. Nothing of the sort would be tolerated in courts. Because they are courts they are expected to deal fairly and equally by all.

Frequently the regulations seem to be framed on the assumption that the case against the respondent has been established in advance and so it is a waste of time to allow him to make his case. There is little idea of fairness as between the government and the citizen. The interests of private persons are held negligible in the zeal of the administrative agency to get results. The tendency is to weight procedure heavily in favor of the government or the bureau; to assume that those charged are only filibustering or are malefactors of great wealth and that hearing their side is only a formality.

Cases

Let us take some cases from the reports for 1943. In one, an examiner of the National Labor Relations Board made "persistent and partisan efforts to conduct the proceedings to a decision favorable to the board," as the court pointed out, assuming that he was "an agent of the board to sustain its charges." The court said: "Such an attitude, excusable if not commendable in a prosecutor, is a wholly improper one in a judge or an examiner who sits in a judicial place to hear and determine facts, draw conclusions of laws, and make reports and recommendations based thereon."

In another case, the Circuit Court of Appeals said of a finding of the same administrative agency that it was "merely fiatting and not finding."

In fact, in a single volume of the reports, covering only June and July, 1943, three orders of the National Labor Relations Board are set aside or modified. This particular administrative agency had already attained a bad eminence in this matter of unfairness. For example, it was shown that a trial examiner of the board, during a hearing, held an all-day conference with the trial attorney, the regional attorney of the board, and the regional director—as if a trial judge, in the absence of the accused, were to hold a conference with the prosecuting attorney, the director of prosecutions, and the Attorney-General. If a judge were to do this he would probably be impeached or the legislature would send an address to the governor to remove him. When administrative officials do such things, a reviewing court may be able to set the resulting order aside. But that is all. Such is the difference between what is expected of a judge and what is expected of an administrative agency.

Their Own Policies

There is a pervading tendency of administrative agencies to act on policies of their own devising rather than on those prescribed in the statutes, and

to direct application of the statutory policies toward ultimate ideas beyond those of Congress or of the legislature. It is very easy to say that the public interest demands or justifies activity beyond or in contravention of the statute and to cover this up by a general pronouncement upon the case. Usually this is done out of zeal to promote supposed social ends to which the legislative body might not agree. It involves a degree of legislative power in administrative agencies which is not given them and ought not to be given them in a constitutional polity. Indeed, the more extreme apologists for administrative absolutism do not claim that it consists with our constitutions, federal and state. But they say that we must look at these things "against a background of what we now expect the government to do," and apparently in the administrative quest of social objectives it is considered that we do not expect the government or its agencies to treat individuals fairly, even if we did when our constitutions were framed. We are told that the constitutional separation of powers antedates the rise of administrative attainment of social purposes and must not be suffered to stand in the way.

There is a tendency to give to subordinates, who conduct hearings, secret instructions not available to the public, something which would not be tolerated in a court; also a tendency to delegate the actual decision of cases to subordinates instead of having them made by responsible heads. Wide powers are often delegated to subordinates, not always of high qualifications, whose treatment of the citizen is not properly supervised or controlled.

There is a tendency also to obstruct and hamper full presentation of the case adverse to the agency's complaint which it is judging and, so far as the agency can, to hamper or deny resort to the courts, stay of orders and review proceedings, both by the use of the rule-making power, imposing onerous conditions, and by pressing upon the courts doctrines which would restrict or make ineffective such checks as exist.

Judicial Review Avoided

Government bureaus have contended and succeeded in getting one important federal court to hold that when an administrative agency calls for an injunction to enforce its order the courts are bound to grant it without applying the general principles of equity as to injunctions which would govern in all other cases. The claim made by the government for the Commission in that case would in effect make the courts merely rubber stamps for the bureaus. Actually the administrative agencies endeavor to cut off or narrowly restrict judicial scrutiny of their procedure.

For a long time it was the practice of the law officers of the government, when individuals desired to challenge the constitutionality of legislation adverse to their interests, to cooperate in test suits.

But under the present administrative regime this is not done. A business or enterprise may find itself seriously embarrassed by the threat of a statute or of a regulation which it believes to be unconstitutional or illegal, but it may be kept in that condition indefinitely until it comes to some arrangement, dictated by an administrative agency, to relieve itself from suspense and uncertainty.

It is not considered a matter of public interest that parties know what their rights are. It seems to be assumed that businesses and enterprises are characteristically wrongdoers and that their rights are inimical to policies which the administrative agencies claim the power to identify with the public interest.

The attitude of these agencies toward judicial review was well put by the then Chairman of the National Labor Relations Board in an address before a bar association institute in 1939: ". . . the requirements of fair hearing do not permit an inquiry into the internal operations of the administrative agency." He stated also that the board instructed its subordinates to make ironclad records. If the records showed a fair hearing, how they were made to show it was beyond the power of courts to inquire.

Administrative Esprit de Corps

In the same spirit some administrative agencies contended that there could be no stay of enforcement of their orders pending review unless Congress expressly provided for it, and others provided by rules a procedure for obtaining a stay which in practice made it impossible of procurement. An appeal without stay, where the order is destructive of business, is no remedy at all. After a circuit court of appeals had adopted the contention that legislative provision for a stay was required, a majority of the Supreme Court of the United States was not willing to go so far. They held it proper to grant a stay, where review was allowable, but left it to the administrative agency whether to grant one in the particular case. Both defense and appeal seem to be resented by many of these agencies.

It will not do to say that such things as I have outlined may be cured by administrative review of administrative proceedings. Two characteristics of administrative justice as it has developed with us must forbid. These are organization *esprit de corps* and a confirmed tendency to delegate decision to subordinates. The practice of delegating decision to subordinates, where the law requires decision to be made by the head, makes decision by the responsible authority a perfunctory matter. Such delegation was forbidden in judicial justice in antiquity. It was forbidden in the Roman law and in the canon law; and no such thing is known to the common law as delegation of the judge's duty of decision to a subordinate. If the decision of the subordinate in an agency of first instance is to be reviewed by a

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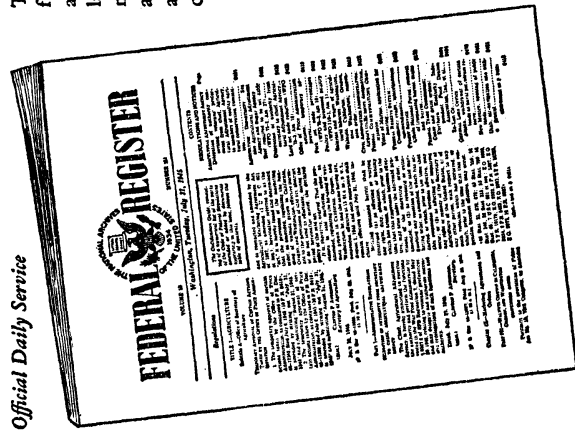
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subordinate in an agency of administrative review nothing will be achieved. If review is to take place within the agency of first instance we shall have nothing more than we are supposed to have already.

What, then, is called for? The remedy as to administrative decisions is in legislation providing for safeguarding the elements of fair procedure and fair hearings and a simple, speedy mode of review which will insure adherence to the statutory limitations and do away with the necessity of review by suits for injunction. As to rule making, a simple adaptation of the declaratory judgment procedure would achieve what is required. But the bar must bestir itself.

Expensive Justice

Such processes as we have been developing belong to lands which believe in government by an omniscient superman with a hierarchy of supermen under him, to whom the life, liberty and property of the citizen are to be subordinated; who are so all-wise as to know offhand what the public interest demands in each case and need no hearing or evidence or arguments to advise them, but are to adjust all relations and order all conduct by the light of their ex-officio wisdom in a political organization of society which does not recognize private rights.

It is not, as some would have us think, merely a question of protecting wealthy wrongdoers and great corporations from reasonable regulation. They alone have a certain degree of protection by suits for injunction and by contesting enforcement of administrative regulations in the courts. Suits for injunction are expensive and other judicial remedies have been greatly limited, and in the multiplicity and diversity of statutes and regulations it is often difficult to know what remedies there are and how to pursue them. Hence it has become a question of protecting the average business and the small business and the individual man. These cannot afford to bring expensive injunction suits and carry them through to the Supreme Court at Washington, with the certainty that the administrative agency will resist to the last, will have an ample staff of bureau lawyers, bureau officers, and very likely the law officers of the government at its service, and the weight of the government behind it. The ordinary business and the ordinary man are coerced into settlements and consent decrees to their injury and in defiance of their rights. The general tendency has been to show a marked unfairness toward business and individual enterprise. More than one of these agencies has seemed to indicate a policy of pushing all business and industry and enterprise into the hands of the government and thus bringing about an economic revolution.

We cannot, as some suggest, attribute the administrative absolutism which has grown up in recent years to the emergency of war. The condition which

confronts our American constitutional polity had grown strong before the war. An article by Dean Wigmore, published in January, 1939, pointed out the enormous multiplication of federal administrative agencies, their vast powers, and the great difficulty of ascertaining their practice and policies. In April, 1939, federal administrative law was the subject of an institute held under the auspices of the Virginia State Bar Association at which attention was called to much of what I have been speaking.

On August 3, 1939, the president of the Virginia State Bar Association delivered an address entitled "Administrative Law and Liberty," in which he declared the need of early enactment of a measure such as the American Bar Association had then been at work upon for two years, in view of what he spoke of as "the present federal demand for wholesale power of the executive over the lives and liberties of our people." All this was before the war broke out in Europe and long before we entered the war. The most that can be said is that the tendencies which had been more and more manifest for a generation and had had a marked development during the regime of national prohibition, have been given added momentum by the exigencies of the war.

Cult of Force

There has come to be a cult of force throughout the world. In place of the political and legal theory on which our government was founded and under which America has grown to be a land to which people have been eager to come from every part of the world in order to live the lives of free men and enjoy life, liberty, and property in security, new theories are being advanced. Instead of our fundamental doctrine that government is to be carried on according to law we are told that what the government does is law. Instead of a law which thinks of citizens and officials as equally subject to law, we are told of a public law which subordinates the citizen to the official and enables the latter to put the claims of one citizen over those of another, not according to some general rule of law but according to his personal ideas for the time being.

A give-it-up philosophy of law and government is being widely taught. We are told that law is to disappear in the society of the future. We are told of a society in which an omniscient and benevolent government will provide for the satisfaction of the material wants of everyone and there will be no need of adjusting relations or ordering conduct by law since everyone will be satisfied. Thus there will be no rights. There will only be a general duty of passive obedience. We need to be vigilant that while we are combating regimes of this sort, as they have developed in dictatorships and totalitarian governments, we do not allow a regime of autocratic bureaus to become so entrenched at home as to lead us in the same direction.

Hatton W. Sumners

The Hon. Hatton W. Sumners of Texas, Chairman of the Judiciary Committee of the House of Representatives, has announced that at the end of his present term, when he will have been a member of Congress for 34 years, he will retire and spend the rest of his life telling people that they have lost control of their government—that “we have now a financially busted, great piled-up mass of governmental confusion beyond human comprehension and impossible of democratic control.” What follows is a recent restatement of his theme on the floor of the House in opposition to a bill to subsidize free school lunches with grants of federal money to the states.

LET US see what this bill proposes. It proposes an authorization of \$50 million which shall be the Federal Government's contribution for lunches for school children, for children at community centers, settlement houses, children's homes, child-aid centers, child day-care centers, playgrounds, boys' or girls' clubs, summer camps, or similar centers and institutions.

Why this bill? Have we reached that low level in America where we cannot trust the people in our states and communities to take care of their children? Did all of wisdom and interest and sense of responsibility and capacity come to Washington with us from our respective districts?

Federal Government appropriations to the states! Where in the name of commonsense does the Federal Government get its money? It gets it from the mothers and fathers of these same children in these states, or by selling more bonds for these children and their children's children to pay. They will pay for these lunches, plus \$175,000 per annum administration cost plus the \$15 million educational fund, but they will pay more than that. That is what makes this bill so tremendously important.

Where are we now in this general governmental setup? Can anybody doubt that there is urgent necessity to get the states into operation as responsible sovereign units of general government as quickly as possible, not only in order that we here can properly attend to the federal business, business which the states cannot discharge, business which the Federal Government was created by the states

to do as their agent, but get the states to working at the states' job, so that they will hold what governmental power they have left and grow and develop in governmental capacity. Is there a single member on the floor of the House who can face his constituents and tell them that he can have an advised independent judgment about what the Federal Government is doing through these nearly 3 million people scattered over the United States?

We have got to decentralize governmental power or lose our chance to maintain a government by the people. The people cannot operate this thing we have got. We have got to wean ourselves from dependence upon Washington for a thing so intimate, so completely within state and community governmental capacity as that which is covered by this bill. But of equal, if not greater, importance is this fact. This bill touches the children, millions of children, in the formative period of their lives and carries the argument to them of the futility of State government. The food which they are to eat provides the demonstration that that is the judgment of the Congress. If you listen to my good friends on the floor of this House, any body in the gallery would believe there is not any responsibility or dependability on the part of the states to take care of a thing so important as their own children. That is just assumed in the bill.

When someone connected with this outfit goes down into the states parading around over the country, that will be “the big man from Washington” that helped get the free lunch for nothing from Uncle Sam. They will not tell the children that the people in the states are putting up all the money, all of it and more besides. Every dollar that goes to pay these traveling expenses cuts down on what the people have left to operate their local government and feed and clothe their children.

You cannot maintain the structure of this government upon people that cannot be trusted to feed their own kids in their own states. That is all there is to it. Our people are just as good as we are in Washington. They are just as much interested in their children as we are. They can make their own appropriations out of their own money without having to pay the upkeep of some additional people or being bossed by them either.

Time will come under this trend when these people will be so bereft of power by its nonuse that maybe then the people cannot be trusted to take care of their own children. Then the job toward which this type of legislation gives us direction shall have been finished.

I AM not the friend of energetic government. It is bound to become oppressive.—Thomas Jefferson.

The Insidious Federal Grant

By Wm. M. Tuck, Governor of Virginia*

EVEN before the late war there had developed a decided movement by the government at Washington to break over the constitutional bounds prescribed for it and take on activities which were supposedly reserved to the states. This was being done in most instances by making grants of money to the states to aid in some state function. The states were required to match the grant. This presented, at first blush, a picture of generosity and benevolence, and it was no doubt so intended by the Congress. But upon analysis it developed that the proposal was not that of a gift but for federal regulatory control over certain state governmental agencies. A federal bureau was given the power to say whether, and, if so, under what conditions, the grant would be made to a particular state.

This bureau invariably imposed a condition that the money must be spent under its control and supervision, and a federal agent would be sent down either to take charge or, from time to time, to supervise. In this manner began the recent movement for the centralization of *power* in *Washington*. The movement has grown by leaps and bounds. There are a multitude of bills calling for huge additional grants to states now pending in Congress.

If this policy of expansion of federal activities into state fields continues it will result in the virtual abolition of the states.

The preservation of state sovereignty was the chief aim of the founding fathers when they established the Constitution of the United States. In that instrument it is clear that they regarded state independence as a necessary bulwark against the growth toward and the ultimate founding of a federal dictatorship. They knew that dictatorship meant the destruction of our personal liberties. These liberties were greatly treasured by the fathers because they had lived under conditions where they were denied to them, and they had fought for them and had bought them at great cost. We of this day, having enjoyed for more than a century and a half these liberties which they achieved and handed down to us, have fallen into a way of taking them for granted.

Is it so comforting to assure ourselves that nothing can happen to them, unless through conquest by a foreign foe? The fact that in England, South America, and in nations all over the world, freedom has been otherwise greatly curtailed or completely destroyed has not aroused us from our slumber or disturbed our complacent dreams of security. Under the emergencies of war we have seen the *federal*

bureaus and agencies take complete control of our everyday affairs, and the affairs of industry, commerce and trade. . . .

Pressure groups, who reside in some of the big cities, are very influential for the reason that they are supposed virtually to control the election results in a half dozen pivotal states which have the largest electoral votes. Both political parties, therefore, cater to these groups of voters chiefly because of their ability to influence the election of a president. Thus it is everyday becoming more clear that the people of Virginia and many other states are being *constantly threatened* with the very real danger of having their domestic affairs regulated in accordance with the ideas and wishes of these pressure groups. . . .

When it is proposed to make such a grant to the states the members of Congress are placed in a very embarrassing situation. It is extremely tempting to them to be able to go back to their constituents and tell how they secured large sums of money for them out of the federal treasury. On the other hand, if they vote against the grant with such apparently worthy objectives, the Congressmen may have a hard time satisfying their constituents that they were justified in doing so.

Let us view the matter, however, from the standpoint of the interest of the Virginia taxpayer. . . . Is it to the interest of the Virginia taxpayer that the money he is required to pay to provide governmental services by the state shall be paid by him directly in the form of state or local taxation, or is it better for him to pay it in the form of federal taxes and have the Federal Government turn it back to the states? The answer to this question is clear. Money paid by the taxpayer to the Federal Government and then returned by it to the states is burdened with the collection and handling charges incurred by that government. It is also burdened with the operating costs of the headquarters of the bureau in Washington which passes upon the grant and regulates its expenditures. Finally, it is burdened with the salaries and expenses of the federal agents who are sent into the states to personally regulate the state agencies in their spending of what is left of the money received from the taxpayer. The amount left is probably about half.

A grant may be made for a purpose Virginians do not want at all, but if it is rejected her taxpayers must pay their part of the cost just the same. It may be said with truth, therefore, that when Congress makes a grant to the states it has the effect of almost *forcing* it on them. The states must either accept it and submit to the federal regulation of local affairs which such acceptance entails, or else reject it and place their citizens in the position of paying federal taxes for grants to other states without receiving any corresponding benefit.

*From his inaugural address, January 16, 1946.

Science and the World of 1950*

By Donald H. Andrews

"Science is a force which has got out of hand . . . like a colt which has suddenly waxed into the power of a billion horses . . . pulling us toward the edge of a cliff."

IT TAKES very little argument to prove quite convincingly that science is one of the major forces shaping the world today. We may think it is a good thing, or we may think it is a bad thing, but we have to admit it is a fact.

There is considerable argument, however, as to what we should do about it. In a radio broadcast, Dr. Arthur Compton, Dean of the Physical Sciences at the University of Chicago, stated that it is essential to train larger and larger numbers of scientists if we are to insure the future welfare of our civilization. But just before the war, the Bishop of Ripon, speaking at a meeting of the British Association for the Advancement of Science, proposed a moratorium on research. He wanted to close all our laboratories for twenty years in order to keep us from blowing ourselves up.

It is not astonishing that the two doctors should disagree to this extent, since one of them is a Doctor of Science and the other a Doctor of Divinity. But it leaves us with the feeling that perhaps neither is right. It may be not a question of more science or of less science, but of finding a better way of dealing with science.

Science is a force which has got out of hand. It is like a colt which we thought we had broken to harness to do our bidding, and which has suddenly waxed into the power of a billion horses, pulling us at runaway speed toward the edge of a cliff. We have a very small minute in which to find out how to use the reins.

Just how small this minute is on the time scale of history can be sensed by looking back for a few thousand years to see how our basic way of living changed during the period for which we have written records. As A. N. Whitehead has pointed out, the fact is that in the period of two thousand years before the beginning of the nineteenth century, it changed scarcely at all. Napoleon's ships sailed at the same speed as those of Alexander the Great. King George's carriages, traveling from Hannover to London, rolled, if anything, more slowly than Caesar's chariots. Corn grew, unchanging as the seasons; fire burned with the same eternal flame. The work of the world was done by human muscle, augmented to a small extent by the horse and the ox. Thus, in the nineteenth century there was such a community of spirit with the great classical period of Rome that the peculiar relevance of Latin literature was felt vividly.

Whitehead goes on to say that the result of such a survey is a momentous one. "Our sociological theories, our political philosophy, our practical maxims of business and our doctrines of education are derived from an unbroken tradition of great thinkers from the age of Plato in the fifth century before Christ to the end of the last century. The whole of this tradition is warped by the vicious assumption that each generation substantially lives amid the conditions governing the lives of its fathers, and will transmit those conditions to mould with equal force the lives of its children. We today are living in the first period of human history for which this assumption is false."

NATURALLY we ask what is the reason for this sudden change; what is it which has so rudely upset the metabolism of history. The answer is *science*, the scientific method of thought and its effect on the way in which we deal with the world in which we live.

Today, instead of sailing ships, we have ships of the air which cross the ocean in six hours. Instead of carriages we have streamlined cars in which speeds of a mile a minute are available to almost everyone. Chemically improved agriculture makes ten ears of corn grow where one grew before. With the help of atomic hydrogen, fire has been intensified to rival in temperature the sun itself. And as for aids to human muscle, the power at our disposal is so vast that it has become the greatest single potential danger to our civilization.

It is estimated that in the year 1800 there was roughly one horse for every hundred families in Europe and America. In order to compare a horse with a horsepower one has to know how much the horse is used, to say nothing of how he is fed. As a rough guess, we may say that in 1800 there was something like a hundred thousand horsepower available in Europe and America. Today, twenty-four hours around the clock, we have available over fifty million horsepower of electrical energy alone in America. We have thirty-five million automobiles, operating a sufficient number of hours a day to account for a hundred and fifty million horsepower more. We have about fifty thousand locomotives which will add another hundred and fifty million. Add to that all the factory power plants, the ships and the airplanes, and it is fair to say that in Europe and America there must be the order of a billion horsepower at work today. If the ledger

*From *The John Hopkins Alumni Magazine*

added up to a net constructive gain we would not have so much to worry about, but we know that the page is covered with red ink, blood-red ink. We are in a runaway carriage, catapulted by a billion made horses, and while we are trying to pull on the reins we had better have a look ahead at the contours of the country into which we are rushing. Science itself gives us some hints as to what the lay of the land may be. The changes in our conceptions of the kind of world in which we live provide a clue to the new world just around the corner.

One of the most striking trends in the development through science of our ideas about the physical world has been the shift from matter to energy as the most significant manifestation of reality. A stone used to be the perfect symbol of something real. You could hold it in your hand; it felt hard and solid; it had weight and inertia; it resisted compression and retained its shape; you could use it as a hammer to drive a nail, or as a crushing surface to grind wheat. A collection of stones could be made into a wall, and what could be more real than a wall, especially if you run your head against it!

IN Professor Raymond Havens' recent book, "The Mind of a Poet," he relates how Wordsworth described his youthful craving for a sense of reality. "In childhood," Wordsworth told Miss Fenwick, "I was often unable to think of external things as having external existence, and I communed with all I saw as something not apart from, but inherent in, my own immaterial nature. Many times while going to school I have grasped at a wall or a tree to recall myself from the abyss of idealism to the reality."

Yet we know today that when Wordsworth touched the wall he was touching not something solid, but something actually more full of holes than chicken wire. The only reason a wall looks solid is because we see it with only a very narrow part of the total spectrum of light. If we set an x-ray tube up on one side of the wall and a photographic plate on the other, we know that we can "see" through it just as if it were not there. More than that, it is now possible to shoot particles of matter right through a wall, exactly like shooting bullets through the holes in chicken wire. By appropriate atomic disintegration we can produce particles called "neutrons" which will pass through solid stone or concrete. This is because the matter in the stone is concentrated in such small points so widely separated by vacant places that the neutrons go through much like bullets going through the spaces in wire fencing.

When you press your finger against the surface of a stone, it is not *matter* touching *matter*, but an energy barrier coming up against another energy barrier. What appears to be the solid stone is actually largely a collection of electrical energy having

properties such that it resists intrusion of other electrical energy of the sort associated with the end of your finger.

Thus, energy may be seen to be the significant basis of the bulk of the phenomena which make up the pattern of our daily living. You know your body is an energy machine. You have to get your daily quota of calories in order to live. You wear clothes primarily because clothes are energy barriers which serve to keep the calories from leaving your body too rapidly. If you lose calories too rapidly, the energy intensity (temperature) of your body falls with resulting sickness and death. The cloth of your suit looks solid because the energy of the light hitting it is absorbed or turned back by the energy barrier of the cloth. Actually you are dressed in a fabric as transparent and insubstantial as the fabric of ideas in which Hans Christian Andersen's famous emperor was clothed.

The walls of your house serve primarily as energy barriers. This is made clear by considering the houses in the tropics where the object is to let energy out and walls of brick are replaced by mosquito netting.

Transportation is primarily a problem in energy. Railroads are effective because smooth hard rails provide a medium of motion at a very small expenditure of energy. The central problem in air transport is getting high speed and high lifting power at a small expenditure of fuel. The fabrication of buildings, machines and all the economic goods which make up our modern civilization is essentially a problem in energy, getting the raw materials together at the right place, and then bringing about changes in them through the application of energy.

IT IS easy to see, then, why the sudden availability of a billion horsepower has made the world into such a different sort of place. Suppose for a moment that we would be satisfied with the standard of living prevalent in the year 1800. Suppose also that the human work necessary to sustain a given standard of living is inversely proportional to the amount of external power available. Then the factor of ten thousand by which external power has increased would mean that the average work-day for a man today would be only about four seconds long. The assumptions on which this conclusion is based hardly permit such excessive extrapolation. But it is true that a billion horsepower constructively used could mean an average work year of less than ten hours per week for thirty weeks; and from that work year an average standard of living could be maintained at least five times higher than prevailed in the United States in 1928.

Moreover, this billion horsepower is small compared with the energy which we may expect to have available in the next five, ten or twenty years. Our coal and petroleum represent the stored energy of

sunlight accumulated in the prehistoric past. Our water power is the energy of sunlight made available through its lifting of water to higher levels. We may expect in the very near future, that instead of depending on these direct sources of the sun's energy we may convert sunlight on the spot into useful power by means of new physical and chemical processes. In the state of New Mexico alone there is coming down every day something like a billion horsepower, sufficient to serve as a power house for the whole world.

Even the total available energy from sunlight may seem small when compared with other sources of power of which we are just beginning to get glimpses. In 1938, in Germany, it was discovered that an isotope of the heaviest chemical element, uranium, can be split with the release of almost unbelievably large amounts of energy. These results were first confirmed in America in the chemistry laboratory at the Johns Hopkins University by Professor Robert Fowler, who also discovered that the same release of energy was obtained in the splitting of thorium atoms. This series of experiments had to be stopped because of the war, so that all we can do now is to draw conclusions from the very brief reports which were published at that time. From these experiments on an infinitesimally small scale it appears that if one pound of uranium should disintegrate instantaneously, the result would be an explosion equivalent to thirty thousand tons of T.N.T. Thus some day an amount of uranium the size of a lead pencil *might* drive an ocean liner from New York to Southampton, and a good-sized pill *might* take an aeroplane across the same distance. The disturbing implications of this are plain, for this is not a comic strip dream, but a probable reality which may have to be faced twenty years from now or even sooner.

FORGETTING for the moment about the future, the very fact of the new pool of currently available energy in the world today throws a new emphasis on what lies beyond both the world of matter and the world of energy, that is, the world of *ideas*. When a man points a gun, and the speeding energy of the bullet flies off to do its work of destruction, the most significant thing is not the energy of the bullet, but the direction in which the gun is pointed, and the time at which the trigger is pulled. It is the finger pulling the trigger, and the mind behind the finger to which we should give our attention. When a Flying Fortress drops ten tons of bombs, it is not so much the concentrated chemical energy, but the hand which pulls the bomb release that counts.

Once we cross that bridge from trigger to finger to mind, we enter the world of ideas. To explore that world we have to look beyond the mind controlling the trigger finger to the minds which gave to it the chains of orders. We have to understand the pattern of the ideas which inspired those minds

Thus it becomes increasingly clear that this billion horsepower of our twentieth century has suddenly made potent the world of ideas and has accelerated the time scale in that world. Ideas, far from being the philosophical toys, which they were to a large extent two thousand years ago, may be translated in a flash into a cataclysmic physical reality. Moreover, a web of "idea channels" is being spun, a system of nerves through which ideas circulate all over the world at the speed of light, and mature to their physical potency at a rate accelerated by many orders of magnitude.

A hundred years ago there were only two significant means of transmitting intelligence. Sound waves could pass from one man's mouth to another man's ear; and by means of a framework of vocabulary, grammar and syntax, a series of marks on white paper gave us a system of written language by which men, separated by distances either in space or time, could communicate. The discovery of the telegraph made it possible to correlate a series of electrical impulses with empirical letters and written language, and thus to transmit intelligence along narrow wire channels at a speed of more than 100,000 miles per second. There was still, however, the limitation imposed by the very rigid framework of written language.

With the invention of the telephone, this framework expanded. Intelligence could be transmitted not only in terms of words, but in terms of intonation with the whole emotional content of the human voice. The invention of the radio expanded this again from essentially a point-to-point communication into a system whereby one man's voice could be sent out through space into ten million other points simultaneously.

THE GAMUT of intelligence is still expanding, however. One of the greatest developments after the war is certain to be television. It may take a while to build up the necessary network of repeater stations or coaxial cables, but we may expect before long that it will be possible to transmit practically instantaneously a complete scene, so that a man may address a radio audience and convey to them voice, facial expression and gestures, together with the whole scenic effect of the background. We may expect that this will be done in color, and in all probability, with the illusion of three dimensions.

You may have in your home a television room, into which you go when you wish to talk with one of your friends. You call San Francisco. Across the room a chair appears, and a door on the opposite wall. The door opens and your friend walks in and is seated in the chair. You converse with the same freedom and ease that you would if seated side by side, with every feeling of being *tete-a-tete*. The only thing you are unable to do is light your friend's cigarette, *nad* even that is not an impossibility.

When this has been achieved, we have to stop and ask what then is the real meaning of distance. It is true you cannot actually give your friend a cigarette; you cannot pass material along the wire. But which is more important—passing a cigarette or passing the sonata of discourse? You cannot catch a cold from your friend. Bacteria will not pass along a wire. But which are more dangerous—bacteria, or the germs of ideas?

From almost every significant point of view, space has contracted and warped into an entirely new framework, literally into a new world. It is hard to escape from the conclusion that this is a challenge aimed directly at the spirit of man. We can shrug it off, and try to go about our way just as if nothing had happened, and trust that there is some unknown force in the universe which will descend from on high in the nick of time and somehow pull us through all right. But that compensating force does not seem to be on the job right now.

It looks very much as if the time has arrived when we all have to get together, put the cards we are playing on the table, see what we have got, and try to do something about it in a hurry. The truly significant cards on which we have to focus our attention are not the old wornout cards of matter, material resources, outmoded institutions and power politics, but the cards which bear the labels of the forces of the spirit. Every one of us has to help in reading those cards and playing the game according to the right rules.

It is a game which has to be played in the spirit of closest cooperation. It is not a game of solitaire for the scientist in the laboratory, nor for the scholar in the library; neither for the poet in the Ivory Tower, nor the Divine in the cloister, nor the man of action in the heat of the day. It is a game in which all must be partners. The scientists must become aware of the worldly implications of what they are doing, and contribute some wisdom in interpreting those implications. The scholars, the poets, the spiritual leaders, the men of action and the statesmen must become aware of the fundamental scientific significance of the new world which science is creating all around them.

*To tell the truth the fabric of thought
Is like some masterpiece a weaver wrought;
A thousand threads one treadle guides.
All scholars laud this—but don't forget,
Not one was ever a weaver yet!
Who wants to study life and describe it rightly,
First seeks to drive the spirit out; he thinks
His hands have clasped the pieces tightly,
But missing, alas! are the spiritual links."

Can we forge anew the spiritual links necessary to achieve the true brotherhood of man, in body, mind and spirit? Is this too big a challenge? Must the scientist, as Wordsworth said of Newton, go on "a mind forever voyaging through strange seas of thought alone?" Can the poet ever turn from the old world of familiar beauty and help in the interpretation of the new world of science? Whitman said, "I find a leaf of grass as wonderful as the journeywork of the stars, and a pismire, a grain of sand, and the egg of a wren." Would Whitman have been willing to explore the mystery of the leaf of grass as seen under the electron microscope? It is a little difficult to think of Whitman in a laboratory acquiring microscopic technique. Yet somehow we have to find a combination of scientific discipline and spiritual insight which will enable us to perceive and implement the basic laws of existence, if we are to continue to exist in this new world of ours.

This is a challenge to which the universities ought to respond. On a university campus we have the scientist, the scholar, the economist, the philosopher, and the student of religion at least dwelling side by side, even though they may not be living in intimate communion with one another. Is it not time to try to break down the ivy-covered barriers which have separated our departments for centuries, and to see whether some new wisdom and understanding cannot be discovered with which to face these problems with which science is confronting us? We can be confident that if wisdom can be found, and it is true wisdom, it will create its own power to make itself effective. We may feel confident that, as for the future, the truth will make us free.

*Goethe's *Faust*, Translation by Alice Raphael.

OUR people know they are frequently enticed to mountains of high hope, to be there despoiled. They have their hopes and their fears paraded before them by sacrosanct saviors displaying the time-worn lures of a lazy life. They know that occasionally they fall victims to intrigue and banditry. Quite frequently their spirit of high endeavor is weakened. But they also know, as only a free people can know, that it is ever the task of men of determined good-will to shoulder the burdens of a tattered and torn civilization. They accept the challenge. They know that the United States of America is the dynamic center of ever widening and civilizing enterprise, and, whether in war or in peace, as descendants of men who brought this Nation into being in a spirit of high adventure, they will carry on.—*Nathan Boone Williams.*

Labor Relations

The American Labor Doctrine

IN RESPONSE to an editorial in the Winter Number of American Affairs the following letter from the American Federation of Labor was received:

"Your comments on the philosophy of Samuel Gompers came at a time when we are concerned to emphasize the "area of possible understanding" between labor leaders who believe in this philosophy and employers with the same understanding. The present situation at home and abroad gives us a sense of urgency.

"You will be interested in the enclosed issue of *Labor's Monthly Survey*. We have had a great many demands for this issue from both labor leaders and business firms. President Green is anxious to make it available to those who might be interested in the interpretation it gives of the philosophy and economic principles of the American Federation of Labor. We are anxious to help widen the area of understanding."

Labor's Monthly Survey is the voice of the American Federation of Labor. The statement of philosophy in the January number was an important news event. Among New York papers the Sun alone gave it the space it deserved. Otherwise it was generally ignored, except by the Communist Daily Worker, which gave it a bitter two-column editorial under the caption "Workers Betrayed."

By the

American Federation of Labor

From its January Labor's Monthly Survey

WE REGARD collective bargaining in good faith as the normal procedure for establishing good relations with our employers and working out the terms of employment in a contract. Workers can make the greatest progress by building up confidence and mutual understanding between themselves and their employer. These four commandments should be observed:

1. Good faith and square dealing on both sides of the conference table. Show your employer that you are seeking a fair and just settlement, satisfactory to both parties. Keep your contract. A broken contract is the mark of bad faith and irresponsibility.

2. Know your industry and know your company. Get such facts as: costs of operation, outlook for sales and production, particular problems of your company and industry, past profits and prospective profits. Know what a wage increase will cost and what the company can pay. You cannot get these facts from the government. But some AFL unions get this

information from their companies for use at the conference table because they have proved that they are responsible organizations, interested in the success of the business and acting in good faith. Remember that your collective bargaining conference is the business of your union and your employer. The company does not want its information released to competitors. Don't injure your company's business. If you cannot secure the information you need, write to the AFL Research and Information Service.

3. Remember that three groups—workers, consumers and management—should share the wealth created by American industry. This is the American way forward to higher living standards. Industry's profits should bring (1) wage increases; (2) price reductions; (3) reward for management as an incentive to improve production. Also, reserves must be laid aside to buy the new machinery which will increase productivity and make further wage gains possible; and investors must receive enough return on their investment to bring your company adequate financing. You cannot expect all the profit to go into wage increases.

4. Work to improve production per man hour, so there will be more income to share. Have an understanding with the company that workers are to share the increased income they produce and get higher wages. Work out a plan for union-management co-operation. Let your employer know that your union is a strong and responsible organization, that you want to see the business succeed, that you expect to act as a partner in developing it and to share the returns as a partner should.

The Real Issues behind the Fact-finding Bill.

It is time for us to recognize clearly what this fact-finding bill really means and how it can defeat the basic purpose of collective bargaining.

1. Decisions by outsiders. In collective bargaining, fact-finding and decisions are kept in the hands of those who know the business—management and labor. The government boards proposed in the bill, on the other hand, would bring in outside fact finders who, although highly trained, cannot know intimately the problems of a certain company as its own management and labor know them. Decisions would be made by outsiders, and these decisions would have to be carried out by management and labor.

2. Politics brought into labor relations. Government boards are to be appointed by the President. Political pressures would have great weight. In collective bargaining, on the other hand, under voluntary arbitration clauses in agreements, management and labor choose their own arbitrator. Political pressures

have no weight. Efficient production depends on mutual understanding and good will between management and unions. Nothing can so quickly destroy this relationship as political pressures brought from the outside. Yet higher living standards depend on efficient production.

3. Collective bargaining frustrated. The purpose of collective bargaining is to reach an agreement satisfactory to both parties. But if either party thinks they can get a more favorable decision by bringing in a government board, collective bargaining will end. The dictates of a government board will replace the effort to work out a mutually satisfactory agreement. Such procedure undermines the confidence between management and labor which is built up by collective bargaining.

4. Strikes declared illegal. The bill makes strikes illegal during the 30-day cooling-off period. Any measure declaring strikes illegal endangers workers' freedom.

5. Government dictates company policy. Secretary Schwellenbach's rules for fact-finding boards, issued December 21, state that they may recommend a wage increase on the basis that it "can be paid" by the company. To decide what increase "can be paid" means deciding what profit a company should be allowed to make, what reserves it should be permitted to set aside against future emergencies or expansion, and similar policy questions. The government dictates policy, but will it guarantee a company against the losses which may result from carrying out that policy? This is dangerous tampering with private initiative. And labor knows that private initiative in America has brought the efficiency that makes possible high living standards.

Right of Access

Memorandum on Picketing by the American Civil Liberties Union

THE American Civil Liberties Union has always supported the right to picket at any time, at any place, for any purpose. Picketing, as the courts have held, is a form of free speech and assembly and is supported on that principle. The only limitations by public authorities on picketing supported by the American Civil Liberties Union are those to keep traffic open for pedestrians and vehicles, to insure access to places picketed, to prevent the use of fraudulent signs, and to maintain order. The Union has supported mass picketing where these conditions are met.

But no claims of the rights to picket justify the use of force to prevent access to plants on strike by those who are willing to cross picket lines. Reports of current strikes show instances in which pickets have prevented access to plants by executive officers, by maintenance crews keeping up such services as heat and lighting, and by clerical workers not

members of the striking union. These are plain abuses of the right of picketing. In the view of the American Civil Liberties Union, the right of access, not only of these persons, but of any and all others, is undebatable. The two rights—of picketing and of access to places picketed—are not conflicting.

The present issue, however, goes further than the right of access to places across a picket line. It affects profoundly the rights of organized labor itself, for wherever the use of force by pickets is successful, public sympathy with unions is alienated and encouragement is given to the opponents of labor's rights.

These excesses connected with picketing are bound to have a disastrous affect in the long run on the basic right to picket. It is therefore greatly in the interest of the unions themselves so to control picketing that access to plants is not denied by force. Police efforts to keep access to plants open should be supported by responsible leaders; not resisted as some reports indicate. If they are defied, the inevitable effect will be resort to the courts by those aggrieved, with consequent injunctions. Even the statutes protecting labor's legitimate rights from injunctions may thus be endangered.

Let Government Stay Out

By William Green

President of the A. F. of L.

THE big danger we face is the establishment of a permanent economy in our country regulated and regimented from beginning to end by the Federal Government. That is a step toward totalitarianism. When freedom of enterprise for labor and for business is wiped out by government, every other freedom enjoyed by the people stands in jeopardy.

I am convinced that President Truman approached the nation's postwar problems in the right spirit and with every determination to restore a normal economy as promptly as the necessary changes could be safely effected. He told me so. I believed him and I still believe in his sincerity. But the tragic truth is that he received and listened to the wrong advice.

It is universally recognized that President Truman has been under severe pressure. However, he could have insisted that all labor disputes be settled by collective bargaining and voluntary arbitration without government intervention. Instead, he listened to incompetent advisers who concocted a magic formula for him—another easy way out. This formula called for the settlement of labor-management disputes by government fact-finding boards and for the imposition of compulsory cooling-off periods. The American Federation of Labor promptly announced its opposition to any such invasion of labor's fundamental right to strike and the inauguration of compulsory arbitration by government—

which is what the fact-finding procedure amounted to. Industry rebelled against inspection of its books and investigation of its profits by fact-finding boards.

Without waiting for specific congressional authorization, the President appointed a few experimental fact-finding boards and their utter failure in practice persuaded Congress to reject the President's recommendation for the enactment of fact-finding board legislation. . . .

The stabilization policy originated by the administration and inaugurated by government decree does not square with the American way of life. It is in contradiction to the basic principles upon which our democratic form of government rests.

How can these dangerous trends be halted? How can we restore sane and sensible conditions which will be clear to all and encouraging to all?

I propose, first, that the present crazy-quilt stabilization program be scrapped and that the President invite representatives of labor, industry, and agriculture to confer with him on the drafting of a tirely new one which will be fair and just to the entire nation.

Secondly, I recommended that this new policy be adopted for the duration of not more than one year, with the unequivocal commitment that at the expiration of that time all government controls on wages and prices be dropped.

Finally I urge with all the emphasis at my command that the government eliminate itself from the sphere of labor-management relations except for offering a strengthened conciliation service to both parties and allow labor and industry to work out their problems through the proper methods of collective bargaining and voluntary arbitration.

Trial by Combat

The Honorable John C. Knox

FROM the day on which Cain killed Abel, human beings have engaged in strife, controversy, and cavil. They will, I fear, continue to do so until the crack of doom.

It, therefore, becomes a task of civilization—not alone to prevent wars among the nations of the world, but to see to it that capital, on one hand, and labor, on the other, shall be required to settle their controversies without breaches of the public peace.

Once upon a time, in the days of William the Conqueror, subjects might, in resolving their disputes, resort to trial by battle. Each of the disputants could choose his champion, and these two, on a day appointed, would repair to a 60-foot square to engage in physical combat. They would be accompanied by scarlet-robed judges of the court of common pleas, as well as by sergeants of law. This meeting would take place at sunrise, and, upon proclamation that the court was in session, a knight would introduce the champions.

The gladiators would be dressed in armor with red sandals. Their limbs were bare below the knees and the elbows. Arming themselves with 4-foot batons, each of the contestants wearing four-cornered targets, the men would begin their battle. If one did not vanquish the other before sundown, they were required to fight until stars shone in the sky. When this occurred—and if the case were one between a tenant and his landlord—the tenant won his suit. This would follow, too, if the tenant's champion was the victor. However, if the tenant's champion went to his death, or turned craven, the landlord was entitled to judgment.

Thus, in a bygone day, lawsuits were tried. This

procedure, without any semblance of right or justice about it, now seems uncivilized and ridiculous. And so it was. At the same time, it possessed one cardinal virtue: the gladiators fought each other and did not disturb the public peace.

But, here in America—when strikes and lockouts occur—the combatants not only fight each other, but engage in mortal combat with you and with me. Moreover, their acts are condoned by law and excused by public authority.

Let me illustrate. A little more than two weeks ago, this town was a beleaguered city. Due to a strike of some 3,000 men, 6 million people, in almost zero weather, were cut off from their supply of fuel. Tugboats, it is true, had been taken over by the government, but this, so far as the strikers were concerned, was an idle gesture. They disdained to work for the United States.

Rather than do so, the workers decided—for all they cared—that the aged, the infirm, the sick, and the young might freeze to death. Upon their refusal to work, what happened? Did the government operate the boats? It did nothing of the kind.

What would we have done if 3,000 Germans or Japanese soldiers had cut the supply line on which this city depends for comfort, health, and life itself? The Army and Navy of the United States would have come to our rescue, and we would have had our fuel in less time than it takes to tell the tale. But not so in this case. A labor union was involved, and the power and might of government—strong enough to bring Germany and Japan to their knees—suddenly lapsed into a state of impotence.

What then took place? A peaceful community was put under a regime that was nothing less than

martial law. Business houses, places of amusement, public schools, and places of worship were told to close their doors, and they did. For this dislocation of normal city life the merchants of New York were penalized to the extent of millions upon millions of dollars. Immediately following this period of inconvenience, danger, and loss, something happened. It was this: On the next day the owners of the tugboats, together with their operatives, quickly decided that their dispute was one that might amicably be settled, and the siege of New York was lifted.

You should know, at this point, that I am heartily in favor of labor unions. Were it not for them, the workers in industry, due to the selfishness of management, would face a barren and unhappy future. Unionism has done much to dignify their callings, and to raise their standards of living. I devoutly hope these accomplishments will be both secured and bettered. I don't, however, subscribe to the idea that the rights of labor are superior to those of the public. In my judgment, both capital and labor should be required to subject themselves to the rigors of law and order and to the preservation of the public welfare.

Just as courts of laws have superseded the gage of battle in the settlement of private quarrels, similar courts, in which labor controversies peacefully can be determined, should be established. If this were done, and if they were manned by upright, intelligent, fair-minded men, I firmly believe that before very long, both capital and labor would look upon them with confidence and respect. If so, we could be relieved of the economic and social losses that are now suffered by both management and labor, and most of all by the public.

Day in and day out, the court in which I sit is constantly deciding controversies quite as intricate and involved as any that were in issue in a labor dispute. Moreover, the litigants understand that each decision means what it says, and that it must be obeyed. The result is that the peace, order, and security of the community are, at all times, maintained. If this country is to thrive and prosper; if it is to be free and happy; if its integrity of government is to continue, we must devise a means by which capital, labor and the public may live in peace.

In making approach to a solution of our present difficulties, we should constantly bear in mind that the right of a man to work is quite as precious as is the right to strike. Nevertheless, in the absence of union membership, thousands upon thousands of men are denied the privilege of earning a livelihood. I should imagine that, in their judgment, the freedoms about which we constantly prate and boast are little more than sounding brass or a tinkling cymbal.

And as we give thought to the man who wants

to work and can't, we should also remember the union members who go on strike, not because of their wish to do so but because they must. These men, I have reason to believe, can be counted by the thousands. If any of them dares criticize the leader who calls an unwarranted strike, he is a marked man from that day on. By one pretense or another, suspension or expulsion from the union is likely to be his portion.

When this occurs, the worker will be deprived of his job and prevented from getting another. Indeed, luck will be his if he is not subjected to mayhem and torture. And yet, whatever happens to the worker, he is, from a practical standpoint, without the slightest chance of redress. Repressed in their utterances, dominated in their actions, and victimized frequently by officials who should give them protection, the lot of many of our workers has some of the characteristics that marked the slave laborers in Germany. These conditions should, and ultimately must, end.

For what reason, too, should this country tolerate the warfare that is waged over jurisdictional disputes between rival and competing unions? As the leaders of these unions engage their men in industrial strife, as factories close down, and men chafe in idleness, money ceases to circulate, machines grow rusty, consumer demand goes unsatisfied, women and children become hungry, and humanity is insufficiently clad.

When labor unions countenance strife and disorder, and when, fearful of the loss of income and numerical strength, they tolerate racketeering upon the part of subordinate locals, it is high time that the public cease to listen to the emotional appeals with which labor dins our ears, and insist that, when labor speaks, it shall do so, not only with reasonableness and realism, but with a sense of its own responsibility to the public welfare.

Let us face the fact that if some of our leaders of labor be not curbed, they may, conceivably, wreck industry, destroy the capitalistic system, and change our form of government. Within my own courtroom, a communistic labor leader has declared that, if the court could not find the money with which to meet his demands, it would be well to permit the company, whose affairs were under administration, to be operated by its employees who, he said, were the true owners of its property.

As between labor and government, as between capital and government; as between anybody and government, I stand for the authority of government—and the present form of government—over each and all of them!

It were well that all of us should now reach the conclusion that, if men are to be free, and if they are to enjoy the blessings of freedom they should no longer toy with the thought that the ideology, either of fascism or communism, will give relief from the tribulation that afflicts us.

Life under Price Control

How To Get On with the OPA

*Statement by Henry J. Kaiser before the Banking and
Currency Committee of the House*

WE SPEAK from the experience of operating twenty-five industries, including steel, aluminum, chemicals, ships, home construction, household appliances, cement, concrete, and many other construction materials.

These twenty-five enterprises operate today at least fifty plants, grouped at five major regional centers—southern California, northern California, the Northwest, the Midwest, and the East. They produce more than 130 different items, marketed as individual products some of which are listed here: agriculture, aircraft, aluminum, automobiles, cement, chemical, concrete, contracting, engineering, ferroalloys, gypsum, household appliances, housing, insurance, iron and steel, lime, machinery, magnesium, medical, mining, refractories, sand and gravel, shipbuilding yards, ship repair yards, steamship.

The inflation which we are called upon to fight is due in major part to the tremendous demand for goods of all kinds throughout the world. The unsatisfied needs of mankind, not only in America, but in every land, exert the greatest pressure on the price structure.

There is grave danger in the common argument that this tremendous demand could be met by so simple a device as removing price controls. Such an expedient would spell ruin for the great mass of mankind which has only limited purchasing power.

For more than thirty years we have been engaged in those fields of free enterprise which are the most highly competitive. In the hard school of experience, we have faced the problems of production. We know the problems of selling. We know the importance of costs and the survival value of efficiency. We know the importance of looking ahead and in that foresight we have confirmed our belief in the future of this country. We know that sound business is not out to make a quick killing.

From all this experience, we are today ready to testify that the surest cure for inflation is production—the highest possible level of production at the earliest possible moment. Production, not price control, is the problem that we must solve. The Office of Stabilization can and will help us to increase production, and I am certain that the OPA will handle its pricing power to the end that maximum production will be achieved.

I cannot agree with those who profess to be able to estimate the extent to which the new wage-price

policy will increase the cost of production. Thus far generalities about future costs are too vague to be convincing, and no one will deny that we are still a long way from potential peacetime production levels.

As a people trained in the democratic tradition, we cherish the right to criticize our Government in all its branches, but the best criticism stems from experience. In managing 25 industries we have come to learn how the OPA works. In all of our enterprises, throughout the war and since, we do not know of a single instance in our dealings with the OPA where, after the facts were presented, we were not accorded fair and equitable treatment by this agency. This statement covers our total experience with the OPA as a seller and producer in the market.

As a buyer under the OPA for our various industries, we can again report satisfactory treatment. We, too, are faced with a shortage of essentials. Our experience indicates that the supply of basic materials is equal to about half of the demand. As buyers, we would be greatly concerned if suddenly all restrictions on the seller were removed and we were compelled to bid at auction for vital supplies.

The National Association of Manufacturers has recently taken full-page advertisements in the Nation's press to urge the abandonment of OPA. In this campaign, NAM has given no indication of how this procedure would remedy the present emergency. I cannot believe that this is the unanimous verdict of its members. Outside of NAM there are thousands of manufacturers whose opinions are certainly not represented in NAM's advertisements. I know that the NAM has not approached us for our viewpoint.

There is no more brilliant chapter in the history of American economics than the story of price controls throughout the Second World War. The necessity for those controls will not be past until full production has been achieved.

I do not believe that the OPA is perfect—there is no such thing as perfection anywhere. It is easy to criticize, easy to say what should have been done, or what should be done, as one watches from the sideline. It is a real responsibility, however, to initiate a program such as the OPA, to coordinate it, to guide it, and to keep it free from those who may unwittingly hurt it with criticism. This is not a time when we need criticism. We need to work together for the common good, which is increased production.

Mr. Kaiser's encomium of the OPA was introduced in the Congressional Record by Representative Spence of Kentucky. Representative Hoffman of Michigan thought the importance of being friends with the government deserved illustration, and for that purpose he read into the Congressional Record

of March 14 excerpts from the State Department's overseas short-wave informational broadcast of January 10, 1946. This was the authorized "Voice of America" speaking to the world, and what it said about Mr. Kaiser was in part as follows:

"This morning I want to discuss a man who Americans like to think is typical of their best traditions of business enterprise and skill in large-scale production, and who also appeals to Americans as a zestful personality. He is Henry J. Kaiser, who is now engaged in doing the impossible in the automobile industry, as he once did the impossible in construction work, and in shipbuilding for the war effort.

"Mr. Kaiser is the kind of businessman who is growing increasingly rare in the United States, a large-scale entrepreneur who habitually risks a great deal of money in order to make a great deal more. He made his name as a miracle worker when he secured contracts for the construction of some of the huge dams which have been built by the government in the western United States. During the war, his reputation became nationwide, even world-wide, when he captured people's imagination by his shipbuilding methods. . . . Now he has seized the public imagination once more by his activities in the automobile industry.

"Near the city of Detroit stands the immense Willow Run airplane factory, erected during the war by Henry Ford for the manufacture of heavy bombers. This plant is the property of the United States Government, and stood idle following the end of the war with Japan. . . . This is the building which Henry Kaiser has leased—together with the Graham-Paige Motor Co., for the production of automobiles. . . .

"From the very beginning, experts and onlookers have predicted failure for this latest Kaiser enterprise. They have announced that the risks are too great, the economic situation too complex, the labor difficulties too involved for a new company to be launched on such an immense scale in such a problematical age. Let us see how Mr. Kaiser has already negotiated some of these difficulties.

"First, the labor problem—which has proved one of the most difficult issues facing the automobile industry as it attempts to get peacetime production under way. . . . Mr. Kaiser entered immediately into negotiations with the United Automobile Workers union, and succeeded in concluding a wage agreement satisfactory to both sides. . . .

"Another problem facing the new automobile firm was the question of distribution for the new Kaiser-Frazier motorcars—a difficult question indeed, since it often takes years to build up a complicated chain of local automobile dealers who market the motorcars produced in Detroit. The problem was partly solved by the magic of the Kaiser name. . . . The public's response has been equally great. A few days ago, the Kaiser Co. leased showrooms in New York's largest hotel—the Waldorf-Astoria—and there displayed samples of its forthcoming models. The rooms were flooded with customers. . . .

"As for the nation's investors—Mr. Kaiser had no difficulty at all in raising capital. The stock he issued was sold out rapidly, and its price on the market continued to rise—despite a general fall in prices brought about by the recent wave of strikes."

The OPA Inquisitor

When You Sing He Writes the Music

REPRESENTATIVE DIRKSEN startled the House by saying: "Mr. Speaker, *When he sings you write the music.* That probably sounds a bit cryptic. And so it is. In fact it is professional. It is taken from an instruction sheet to OPA investigators entitled, 'Techniques of Interviewing.' It instructs how to interview a suspect and make him break down. It is a technique worthy of Scotland Yard, the Paris Prefect of Police, the FBI or any other organization engaged in hunting down criminals. Only, in this case it is the technique for hunting down a grocer who has charged two cents too much for a can of beans or a dry goods merchant who got thirteen cents too much for a chemise."

With that he introduced into the *Congressional Record*, January 18, pp. 131-132, a document which very clearly was never meant to be read outside of the Chester Bowles school. It is long but not tedious, and the reading of it perhaps should begin, as Mr. Dirksen suggests, at low pressure. The sentence that had the dangerous effect upon his pressure will be found italicized in the text, the italics supplied by the editor.

The document follows:

To OPA investigators:

TECHNIQUES OF INTERVIEWING SOFT WORD

Avoid the use of harsh or incriminating words in the course of questioning a witness, particularly one who may have some degree of guilt in the transactions.

Such terms as "black market," "violations," "cash on the side," "over ceiling," "false invoicing," etc., should be avoided because they immediately place the blame on the subject and point out to him that he is a law breaker.

In most cases the subject is already aware of that fact, and by repeating such phrases to him in the course of an interview, you tend to make him "clam up" and refuse to discuss the very things you want him to talk about.

The following are only a few of the various synonyms that may be substituted:

Harsh: Black market sale.

Soft: Irregular, unorthodox, extraordinary, unusual.

Harsh: Violation.

Soft: Transaction, discrepancy, nonconformance.

Harsh: Overceiling payment.

Soft: Bonus, premium, surplus.

Harsh: False invoice, record.

Soft: Erroneous, discrepancy.

Harsh: Cash on the side, side payment.

Soft: Premium, additional consideration, bonus, incentive payment.

1. Violations on your false invoices show that cash on the side was paid. Such payments on an overceiling

basis are black-market operations. Who received the illegal money?

2. The transactions as shown indicate a possible error in billing or that an additional consideration was involved. These premium sales appear to have been made in a somewhat unorthodox manner. Who received the bonuses?

3. Transfers reflected on these records indicate a premium was required. Who received and accepted the incentive payments?

If you were involved, which type of question would you be more likely to answer?

DISCUSS THE SUBJECT

Don't be afraid to talk about the subject (your witness). Get him to talk about himself. The more you learn about him the better you will be able to study his reactions and the more verbal ammunition you will be able to employ to make him a cooperative witness. He has likes, dislikes, hobbies, pet ideas, takes pride in certain personal accomplishments and irrespective of his position is still fundamentally human. In talking about himself, the witness will furnish you with many clues as to his personality and these in turn will point out the weak spots in his make-up where you can more profitably direct your efforts to do the "selling job" that is inherent in every good investigation of a witness.

Self-discussion is natural. It eases whatever tension the witness may be under. It gets him in the habit of talking to you. It, therefore, follows that he will more likely talk to you fully about matters that he would be unwilling to discuss if brought up at the very outset of the interview on a formal basis.

SWITCH THE BLAME

When the facts in the case indicate that another person may be involved with the witness, phrase your questioning to transfer the blame for the illegal transactions to the shoulders of the other party. This eases the tension on the conscience of the witness and makes it easier for him to explain the position to you.

For example, where a sale has been made by the witness of an excessive price to John Smith, ask the witness for details on how Smith induced him—the witness—in order that Smith could pay the particular price and made the purchase; not how the witness came to sell overceiling. If you have reason to believe that another party induced the individual to violate, let your witness know that you know that persons like the other party are pleading for goods, making attractive offers and that at times these may have been difficult for him to resist. Let him know that you put plenty of blame on such operations.

KNOWLEDGE OF THE DEAL

Make the witness feel that he is not telling you anything that you already do not know. Use your knowledge of the facts already established to convey to the witness by inference that you know plenty about what has been going on. Stress, however, that you are only seeking his personal confirmation of these facts in connection with particular transactions that affect him. It has to be his story, not yours, and the fact that he tells it to you will certainly reflect more credit to his position than if you are forced to tell it yourself in your report.

Sometimes the factual situation is such that you can work a good bluff on the witness because of your partial knowledge of certain matters and thereby obtain full details and confirmation of his manner of operating.

Caution: Never bluff yourself out on a limb. If the witness catches you in a bluff, your leverage is gone and you are generally through as far as that witness is concerned.

ANIMOSITY TO THIRD PARTY

Endeavor to ascertain the status and degree of friendship between the witness and third parties concerned in the particular transaction under investigation.

If you find either a lack of substantial friendship or any degree of animosity, play this factor up by inference to the witness's mind.

Point out to him that possibly he is being taken advantage of, is holding the bag, or being played for a sucker. Show him that the third party was in a superior position to have better knowledge of the law and should never have involved the witness. Point out any unfair, competitive advantage that may be accruing to the third party.

Each little pin-point penetration that you make in the witness will make him want to sing to get even. *When he sings—you write the music.*

AGREEMENT

Don't argue with the witness. Agree with him even though it hurts. You are there to get the facts. If he damns the OPA, the regulation, the Administration, the Enforcement Division, or you personally, learn to "take it with a smile." Directly or indirectly convey to him the impression that you think he is probably right. In doing so you are selling yourself to the witness as being a "right guy" and thinking the way he does. This plane of common understanding makes the witness feel that whatever he may tell you as to what he did and why he did it will be understood by you in the light that he desires.

Agreement engenders confidence. You must get his confidence to get his story. When you get the story, you've "got" the case.

ALIBI

Play up any reason, alibi, or excuse the witness may have by reason of what he says or what you know about the circumstances surrounding the violations. By affording the witness the opportunity to present what he feels or claims are meritorious reasons for his actions, you salve his conscience. He becomes more receptive to questions in point if he feels you are sold on his excuses. If the witness has not offered any excuses lay the foundation yourself to give him an opening. Suggest that undoubtedly there are some circumstances that make his position more understandable than appears on the surface.

ALTERNATE QUESTION

The use of the double or alternate question is sometimes an effective way to get direct confirmation on a given point. It gives the witness the alternative of either one of two answers and whichever affirmative answer he selects pins down the fact you are endeavoring to get.

For example, you are interviewing A concerning his records which seem to indicate violations involving up-

grading on the invoices covering merchandise sold to him by B. So far, A has not admitted that this condition exists, but you are reasonably sure that it does. Provide him with an opportunity to switch the blame and alibi his position by asking:

1. What this idea yours or was this idea B's?
2. Did he approach you or did you go to him?
3. Did you want the invoice to read this way or did he insist on billing you this way?

In any event, an affirmative selection of one of the alternatives will confirm the existence of the violation and start the breaking of the case. After the violations are established we can, by further questioning, fix the true degree of responsibility for the violations.

SYMPATHY

Sympathize with the subject over his particular problems. If he is having difficulties tell him you appreciate his position and would like to help in whatever way you can. You have a tough selling job to do to get a witness to respond properly. If he is having trouble understanding the regulation or getting an interpretation, offer to refer the matter to the proper authority to see that he gets it. Whatever his trouble, be courteous and permit him a reasonable amount of your time to listen to him and respond in a sympathetic manner.

Play upon his sympathies in connection with his family, his standing in the community, his citizenship, his business associates, his lodge affiliations, his friends, his business, or any other factor that you are able to ascertain.

SWITCH THE SUBJECT MATTER

If your witness is a "clam" or is antagonistic, switch the subject matter away from the direct points in the investigation. Discuss anything that he appears to be interested in such as himself, his business, or his hobby.

Be observant of the surroundings in which the subject spends a good part of his time. If you are contacting him at his office or place of business, in many instances you will find evidences of his interests. Is his office well ordered and neat? A set of golf clubs, mounted game heads, pictures of hunting dogs, a volume on coin collections, and so forth, all give clues to possible subject matter to resort to in order to make your subject more receptive. Switching the subject matter is definitely in order when continuing the subject you are on is getting nowhere or is creating a feeling on the part of the witness which you do not want him to have. For example, do not continue to pile up the evidence repeatedly if the witness is not reacting properly or is getting angry.

FILING THE EVIDENCE

This is somewhat of a pressure technique and can be used for two purposes. First, it affords the investigator the opportunity to summarize all of the incriminating evidence or circumstances pointing to a violation. Second, it provides an excellent method for driving home the inconsistencies in the subject's explanations.

An example follows: Suppose you have examined certain documents which on their face may appear innocent. However, when considered in the light of other facts or documents there is a strong possibility that a violation has occurred. The subject has offered a verbal

explanation of some entries or circumstances that do not appear or sound too plausible.

Using a slow, deliberate, and methodical summation of the facts as you go over each document, entry, or circumstance you emphasize the bad aspects together with the weak explanations offered. This procedure crystallizes the witness' adverse position in his own mind and turns a mental spotlight on the illogical explanation he has offered. Don't be afraid of a little silence on the part of the witness during the process. It generally indicates that his nervous tension is building up which is exactly what is desired. He can relieve this tension by offering you the correct explanation.

FLATTERY

This approach is self-explanatory. Suffice it to say, however, that care must be exercised to not overdo it and its application must be made with genuine sincerity. Otherwise you discredit yourself in the eyes of your subject and are then at a decided disadvantage.

Favorable comment on matters of interest to the subject can do much to strike a responsive chord and open the way for intelligent questioning.

FACE SAVING

Give your witness a chance to minimize the error of his ways in any irregular transactions. This technique touches and somewhat overlaps the alibi or justification approaches. If he does not develop possible face-saving circumstances, feel free to create this inference in relation to some of the facts he has already told you. The more reasonable or plausible you make the witness' acts appear the more likely he is to discuss those acts fully with you.

Face saving may also be approached from the angle that now that the witness is somewhat involved, certainly he can improve his apparent position by cooperating with the government and by such cooperation he will certainly attempt to redeem himself in the eyes of others. This is the feeling that should be created, but the investigator should refrain from any promises when creating this feeling.

JUSTIFICATION

Place your witness in the position of being able to justify or furnish his reason or reasons for his acts of commission or omission.

Justification tends to salve whatever guilty conscience he may have and eases the natural reticence to discuss situations in which he may be adversely involved. If the witness fails to offer such justification of his own accord, create the inference by adroit questioning or by your own suggestion. There is considerable analogy between this approach and the alibi and justification technique.

Just because the witness' justifications may go opposite to the purpose of price control is no reason for brushing them aside. Take notes when he is justifying. This makes him feel good and he may be telling you the defense his attorney may use in his case. Further investigation should cover any important defenses he brings up.

THINK IT OVER

If you have a particularly "hard to get at" witness and all other attempts to "coach" him have failed, it may be appropriate to "pile the evidence." Then con-

clude the interview with a statement to the effect that in view of all the circumstances and his position in the matter, you feel sure that after he thinks it over he can come to no other valid conclusion than to cooperate and furnish the Government with all of the facts. Arrange for a definite appointment with him at a later time the same day or the following day or week, as circumstances warrant.

The second contact will have given the witness some time to "stew" mentally, and you will have given yourself another shot at breaking him. The danger of the approach lies in the fact that it leaves your witness wide open to be either approached by other interested parties or to seek the advice of counsel, or that more material witnesses who may be placed in jeopardy by his testimony. Again, it is a last resort.

FALSE STATEMENTS

This technique should always be the last resort on a witness who persists in falsehoods or who fails to "break" with the pertinent facts you have good reason to believe are within his knowledge.

Go along with him in his story and write as detailed a statement as possible. The statement will either have omissions of material knowledge or deliberate misstatements of material facts.

Upon either oral confirmation of the statement or an actual signing of the statement, you are in an advantageous position to approach the witness at a subsequent interview. At this second interview a stress is placed upon your knowledge of the deal and strong inference conveyed to the witness as to falsehoods or discrepancies in the statement made to the government. He is given the opportunity to reconsider and submit a new statement in accord with the facts.

Refund on a 73-Cent Song

From the Green Bay Press-Gazette of March 4, 1946

F. L. Earp, district director of the OPA, today reversed the settlement against the Deprey Furniture Co., said it was not a fair sample of OPA enforcement, and initiated action for a refund of the \$25 which George Herlache, manager, paid to settle the claim which was caused by a 73-cent overcharge on a rug. Herlache agreed to refund the overcharge.

"This district now embraces 40 counties and a million and a quarter people. From 50 to 80 enforcement actions are handled every week," said Earp.

"This settlement is not a fair sample of OPA enforcement nor OPA policy. It is a too literal interpretation of the letter of the law rather than its spirit. It is a mistake. The purpose of OPA is to hold down the cost of living—not to embarrass businessmen nor collect money for the government. . . . In the case of the Deprey Furniture Co.'s single violation, quite satisfactorily explained, it seems to me, by Mr. Herlache, the violation was a technical, unimportant and unintentional one, and since it never would have been approved by this office had the case been reviewed before settlement, it is not approved by me now. The \$25 check for the Federal Treasury has already been forwarded, but I have initiated action to recover for Mr. Herlache, and express my regret publicly that the facts were not more thoroughly studied before a technical violation was determined."

(Mr. Herlache's statement to the *Press-Gazette* covering this transaction referred to a 23-cent overcharge instead of the 73 cent figure used by the OPA. Mr. Herlache arrived at his figure by deducting a 50-cent discount which he claimed was allowed on the sale. However, no mention of the discount appeared on the OPA records.)

Front of the Housewives

Excerpts from the anti-inflation propaganda addressed by the OPA to Mrs. Consumer

OPA CEILING PRICES FOR MEAT—USE THEM TO SMASH THE BLACK MARKET

Black marketeer! Who me? Yes, you, Mrs. Consumer, are a black marketeer if you (1) pay more for meat than the prices on this list, (2) accept rationed meat without proper points.

Remember—it takes two to make a black market. Most merchants want to play fair. If you put pressure on yours to furnish scarce meats at an overceiling price, you are the real black marketeer, not your merchant. He cannot sell at overceiling prices without your cooperation and approval.

What can you do? (1) Use this list. Check meat prices every time you shop. (2) If you are overcharged, notify your price-control board immediately. If you wish, your name will not be used in investigation. (3) Never buy rationed meat without giving up the proper number of ration points.

How to report an overcharge to the price control board. Find the address or telephone number of your price-control board in your telephone book under the heading "U. S. Government." Just tell the price clerk exactly what you bought, when, and where.

FIGHT INFLATION WITH THIS OPA MEAT PRICE LIST—PROTECT YOUR DOLLARS—PAY NO MORE THAN CEILING PRICES

Danger ahead. Yes, there is serious danger ahead if we don't succeed in holding prices down. Inflation is still lurking at every turn, ready to pop out if we relax our efforts too soon.

Meat and most other goods are still scarce. Yet demand is heavy and money is plentiful. This is potential dynamite.

Without price control people would bid against each other for scarce goods. Prices would skyrocket. And that means inflation.

Do your part to help prevent such a catastrophe. Refuse to pay more than ceiling prices.

Price control is your business. Do a good job of it.

Help OPA help your community. Enlist as a volunteer to work on your Price Control Board.

The fighting is over, but the fight against inflation must go on. Don't get careless about the prices you pay. Don't close your eyes to black-market practices. They are a dangerous threat to: (1) a rapid expansion of peacetime production, (2) jobs for all, and (3) stable markets for business and farms.

As a smart woman and a good citizen, use this folder to help protect your bank account, your home, your friends and relatives' jobs, and your community's business people from the devastating effects of run-away prices—and the depression which would follow inflation.

How Not To Get On with the OPA

To the Editor of *American Affairs*:

I am now faced with a complaint which alleges that I have trebly damaged the United States of America and which hinges on an interpretation, or perhaps I should say dogma, of the OPA, to the effect that daily change in linens is inherent in, and essential to, a daily charge for lodgings.

I am quite sure this is in direct conflict with an order of the War Production Board (or a similar agency) which applied even to the highest priced hotels and forbade the changing of bed linens oftener than twice a week unless there was a change in occupants.

I do not want to bore you with details, but neither do I want to ask my question mysteriously.

Enclosed is a photostat, showing "daily change of linens and bedding" as an OPA requirement accompanying a daily rate for lodgings. That requirement is either a special burden arbitrarily placed upon these premises, or it is a standard OPA policy

equally arbitrary on its face, though not necessarily asinine if examined ulteriorly: It could be a gleeful application of their "cost absorption" principle; i.e., the cost absorbs the enterprise.

The "room" here involved is our guest suite, neatly furnished and consisting of living room, library niche, bed alcove, dressing corner, and private bath, with an over-all area of approximately 350 sq. ft.; hence you will readily see that the \$1.50 rate is not comparable to hotel operation. Our intent was to change linens weekly (unless there was a change in occupants) as is normal in a household; and to change bedding as needed, as is normal in a household, in a rooming house, and in the presidential suite of the Waldorf.

With daily change of linens the laundry cost would be:

4 sheets (twin beds).....	@ .06	.24
2 pillow cases.....	@ .04	.08
4 doilies or scarves.....	@ .05	.20
1 table cloth.....		.10
2 face towels.....	@ .025	.05
2 bath towels....	@ .03	.06
1 bath mat.....		.08

Total daily laundry cost .81
plus destruction

Consider now the stock required. On the basis of weekly laundry the multiplier would be 14; i.e., 7 out and 7 on hand for each item in use. On this instance the total would be 56 sheets, 28 pillow cases, 56 doilies or scarves, 14 table cloths, 28 face towels, 28 bath towels, 14 bath mats.

You ain't heard nothing yet! Bedding must also be changed daily, you will note. In my dictionary "bedding" is defined as the appurtenances of a bed, and in the parlance of the housewife, the merchant, and the innkeeper, it includes spreads, comforters, blankets, mattress pads, mattress covers.

It is impossible for me to imagine anyone above the grade of nitwit demanding that these items be changed daily, but it is not impossible to imagine nitwits in

Notice of Proceedings

OPA FORM D-18 UNITED STATES OF AMERICA OFFICE OF PRICE ADMINISTRATION NOTICE OF PROCEEDINGS BY RENT DIRECTOR		FORM APPROVED BUDGET BUREAU NO. 98-1001 STAMP OF ISSUING OFFICE LOS ANGELES DEFENSE RENTAL AREA ORANGE COUNTY DIVISION 217 West Second Street SANTA ANA, CALIFORNIA
CONCERNING (DESCRIPTION OF ACCOMMODATIONS) <u>Route 4, Box 357, Santa Ana, Calif. (Room in rear of Garage) 72994</u>		
TO (Name and Address of Landlord): Marianne Whelan Route 4, Box 357 Santa Ana, California		
This is not an order, but only a notice of proceedings for adjustment of rent. The maximum legal rent remains unchanged unless and until an order has hereafter been entered.		
A preliminary investigation by the Rent Director indicates that the Maximum Rent for the above-described accommodations should be decreased on the grounds stated in Section (d) <u>5(c)1</u> of the Rent Regulation (see other side). Therefore, the Rent Director proposes to decrease the Maximum Rent from \$ <u>1.50</u> per day and bedding to \$ <u>1.00</u> per day, daily change of linens and daily maid service, landlord paying all utilities.		
In the event you wish to file objections to this proposed action, such objections must be filed within <u>10</u> days from the date of this notice.		
WRITTEN EVIDENCE SUPPORTING YOUR OBJECTIONS MUST ALSO BE FILED. Your objections and supporting evidence should be typed or legibly written. The ADDRESS of the above housing accommodations and the DOCKET NUMBER appearing on this notice should be placed on each document filed.		
If no objections and supporting evidence are filed within the above period, the Rent Director may enter an order decreasing the Maximum Rent without further notice.		
Date <u>June 6, 1945.</u> Rent Director.		

Ideas of the Rent Director in the Los Angeles area

the OPA, and they would be the first to remind you that what is written, is written. To this layman it seems axiomatic that nonsense disqualifies itself, *per se*, as law. I would enjoy getting the Supreme Court into a corner with this explosive principle. The only defensive explanation I can see for the OPA personnel is that they didn't mean exactly what they said. This still reduces to nonsense, albeit in another form, to wit, jabberwocky. Forgive me, therefore, while I quote again that great anticipatory classic of Lewis Carroll's: "'When I use a word,' Humpty Dumpty said in rather a scornful tone, 'it means just what I choose it to mean, neither more nor less.'"

Santa Ana, Calif.

A. W. WHELAN

P. S. I have received the following information concerning restricted changing of hotel linen: "This Administration (formerly the War Production Board) has no record of such an order being issued. However, you may have reference to a letter issued by the Office of Conservation Requirements, asking hotels for their cooperation in this matter as a means of conserving linen. This letter was released August 2, 1945, and was a request, not an order."

A. W. W.

Natural History of Price Control

By Norman S. Buchanan

In a pamphlet, "*Price Control in the Postwar Period*"

THE most serious danger in postwar price control is that it may be continued beyond its usefulness. Unfortunately administrative agencies acquire a certain momentum of their own as time goes on, with the result that often their extinction is delayed beyond their period of useful service. But apart from such usual prolongations of existence there are often special reasons why the price control agency may exist after its proper termination.

If price control is continued as long as there is any tendency for prices to rise, it will have passed the ideal period for its disappearance. For as long as there is only a slight upward pressure upon prices the control authority can slip quietly from the scene without regret in any quarter. Buyers and sellers alike will be happy to be free of its ministrations. But if price controls are continued until the prices under its regulation have clearly leveled off there is the acute danger that then they may soon decline; and if the price control agency is still in existence insistent pressures will arise to demand that it "do something" to prevent a fall in prices. Although the writer may be badly mistaken, he fears that there is a real danger of the price control agency being converted from an instrumentality to prevent a *rise* in prices into an agency struggling to prevent a fall. Already within certain groups talk is rife about the probable necessity for price floors in the post-

war period. Without debating the question of the occasional usefulness of price floors as an economic device, it can be convincingly argued that the objections to inverting the price control agency in this fashion are almost overwhelming. Yet if the agency keeps prices under control until they no longer show any tendency to rise, many would argue effectively that the agency was under a strong moral obligation to prevent prices from falling when the tendency was reversed. It would be said, with a great show of moral fervor, that having limited profits by checking price increases the government had patently obligated itself to forestall losses by preventing decreases. Yet simultaneously some prices might be pushing hard against their ceilings while others were already softening, with the consequence that the agency would be trying to ride two quite different horses in opposite directions at the same time. It is for these reasons that the specific price controls should be removed, in the writer's judgment, while the upward pressure is still noticeable but no longer dangerous. By so doing there is a strong likelihood that the agency can escape having to insist upon the fixing of price minima.

The second danger in postwar price control is that the agency, especially if its existence is long maintained, might be transformed into an instrumentality for establishing and enforcing codes of "fair business practice." At the present writing there is almost no resemblance between the point of view of the Office of Price Administration and the almost forgotten NRA. Yet among many business groups the NRA philosophy is by no means dead. Moreover, state legislatures have shown a frightening fondness for "fair trade" legislation. Hence, the possibility that the price control authority might undergo a transformation along these lines is not entirely unlikely.

THE existence of some sort of parliament is no guarantee against planned economy being developed into dictatorship. On the contrary, experience has shown that representative bodies are unable to fulfill all the multitudinous functions connected with economic leadership without becoming more and more involved in the struggle between competing interests, with the consequence of a moral decay ending in party—if not individual—corruption. Examples of such a degrading development are indeed in many countries accumulating at such a speed as must fill every honorable citizen with the gravest apprehensions as to the future of the representative system. But apart from that, this system cannot possibly be preserved, if parliaments are constantly overworked by having to consider an infinite mass of the most intricate questions relating to private economy. The parliamentary system can be saved only by wise and deliberate restriction of the functions of parliaments.—*Gustav Cassel.*

Notable Views and Ideas

Apathetic and Pathetic

By W. H. Grimes in *The Wall Street Journal*

CONCERNING Premier Stalin's Russia and its international conduct, there are a great many puzzling aspects. To us the most puzzling is not rooted in Russia. It grows in America. It can be expressed in the form of a question: Why should anybody expect Stalin to do anything different than he is doing? If any surprise at all is due, it is in the fact that Stalin, being what he is and having the opportunity that he has, should be even as moderate as he has been.

The opportunity is that a ruthless man believing in the law of force has no opposition. And he has none because the only nation in the world around which could rally "a decent respect to the opinions of mankind" is losing its faith. It is becoming ashamed of its traditions. The light of freedom for the individual which has heartened men for a century and a half flickers and burns low in a fetid atmosphere from which the sustaining oxygen has been drained.

Try this if you will. Go into any group—the more prosperous and fashionable the better the test—and speak of the "self-evident truth" that "all men are endowed by their Creator with certain unalienable rights; that among these are life, liberty and the pursuit of happiness." Say to this group that "to secure these rights governments are instituted among men."

We venture that you will be startled by the number of people, particularly younger people, who do not know that you are quoting the Declaration of Independence. And of those who know, a large number will not agree with the philosophy expressed. And of those who agree—and this is the most tragic thing—many will not have the courage to say so.

Perhaps the dominant attitude was summed up by a young man who would probably think of himself as an "intellectual." He said:

"Only a few people in the Bible Belt believe those things now."

Or listen to the young minister of the gospel who came to this office sneering at those who "operate in a vacuum of idealism."

* * *

We gave our government encouragement—it did not need much—to connive with Stalin. In the criminal decision of Yalta an American President accepted secret agreements which bartered thousands of human beings and which, if carried out, will send thousands more to exile and death.

We did that and a chorus of writers and commentators defaulted their obligation to ask questions and said that Yalta was good. They said Stalin was

a man of his word. He would not grab territory. He would not suppress the churches. He would cease to send his agitators into every corner of the world. He would not use his military power to force on other peoples his own social and political system. Each of those things he has done. Some illusionists, who said he would not, now have the decency to acknowledge disillusion. They suggest that we shake an admonitory finger at Stalin.

That is a ludicrous suggestion. Does anyone imagine that Stalin is such a fool that he thinks we can or will oppose his armed might with ours? And if we are not ready to do that, what other means of opposition have we? We have none, for we besmirched our own moral precepts. We have dropped our faith and stand grotesquely naked.

Yet we tell other peoples of the world how they must act. We have abandoned the tradition that peoples have the right to work out their own destiny.

We denounce a Col. Peron of Argentina as a dictator and a bad man suspected of aggression and therefore he must not rule that unhappy republic. He certainly is those things. But who is the United States to denounce the man that the people of his country apparently have chosen in a free election and to condemn any other government for cooperating with dictators? The fact is that Col. Peron helped himself to power by borrowing more than one page from the book of the New Deal.

But Col. Peron and General Franco, another unsavory character ruling Spain are, we say, corrupt. Furthermore, they suppress the rights of the people. They poison the wells of free information. They certainly do those things.

Let us see what government it is that hurls these accusations of corruption and extra-legal sanctions.

It is a government where the family and the friends of a President could use their prestige to enrich themselves and those who publicly protested are denounced. It is a government against which, for the first time in American history, Americans fear to speak. It is a government which is spending the people's money on a bureaucracy with which men abhor contact because resistance means reprisals. The system has the expected results. Many businesses feel that they must have a friend at court and so some who have official access are paid as "advisers." There was a time when we called such men lobbyists and investigated them. Now they are appointed to high office.

Looking at our record of connivance with dictators and looking at our domestic scene, is it any wonder that the people of Argentina decided that Col. Peron might be the lesser of two evils?

And while we condemn the dictators for suppress-

ing and distorting the free flow of information, our own State Department proposes a plan to blanket the world with propaganda.

Why should Stalin take us and our pious protestations seriously? Why should he give us any attention at all? He knows what is happening and he knows that we are treading the path to his philosophy and his orbit. He thinks he has only to wait—and he may be right.

* * *

We have told the world about four freedoms but the number of men who live under the heel of dictatorship is greater, not less. We have not stood for freedom. We are in the thick of the game of power politics. We are in it in Europe and in Asia and we have imported it to the American continent. It is Stalin's game and of course we do it badly.

There are men not afraid to speak out. One is John Foster Dulles who dares speak and knows whereof he speaks. We quote:

"I am afraid we've got very few friends in the world today. There was a time when we had more friends than any other people of the world. Today we have influence because of our production capacity, because people are trying to get the physical things we produce. I don't detect any real friendship on the part of other peoples. This leaves us in a dangerous and vulnerable position; one which we should do our utmost to correct."

A man's standing in his community is a projection of his own character. A nation's standing in the world is a projection of its domestic life.

What we see at home is a condition where public trust is openly accepted as an avenue to private gain; where a government is so steeped in propaganda lies that it must give the wrong reasons for its policies; where in the name of freedom the citizen is being handcuffed to rules of a troupe of brilliant pygmies who write the prescription for a fuller life on an adding machine; where debt is prosperity and thrift a social crime; where it can be asserted that there exists a "moral right" to steal and bribe; where men shout free enterprise and then seek better and bigger government subsidies; where women leaving black markets stop to sign petitions for continuation of price control; where groups demanding "When do we get ours?" no longer whisper but shout and where officials no longer consider it necessary to conceal that they are the creatures of these groups.

Is it any wonder that in our international relations we cannot combat the assertion that black is white and that the goal of human freedom is the slave state?

Is it any wonder that Mr. Dulles laments the lack of those policies, "expressive of the righteous faith of the best in America"? We are apathetic. We are rapidly growing pathetic.

Conscription as an Omen

By Senator Robert A. Taft*

THERE is one step now proposed, supported by government propaganda, which seems to me to strike at the very basis of freedom. It is the proposal that we establish compulsory military training in time of peace. The power to take a boy from his home and subject him to complete government discipline is the most serious limitation on freedom that can be imagined. Many who have accepted the idea favor a similar government-controlled training for all girls.

There is no doubt that the government, and particularly the War and Navy departments, are straining every nerve to secure the enactment of this legislation. Secret meetings are being held in the Pentagon Building and elsewhere. Recently the chief executive officers of some forty or more women's organizations were invited there, and it is said they were addressed by the Secretary of War, the Secretary of the Navy, the Under Secretary of State, General Marshall, Admiral King, and other high-ranking officers. The ladies were requested not to disclose the substance of the speeches made or identify the War Department or its officials with the sponsorship of the plan. . . . Government propaganda is bad enough when it is open, but it is inexcusable when secret. We may expect a flood of open propaganda after the ground has been prepared, and everyone who is opposed to the plan will be pictured as for war and for unpreparedness.

We have fought this war to preserve our institutions, not to change them. We have fought it to permit us to work out our problems here at home on a peaceful foundation, not on a foundation dominated by military preparations for another war. The question of the best form of military organization should not be an emotional problem. It should be dealt with by argument and not by propaganda. But the methods being used threaten the freedom of this country, for if they are successful they can be used to fasten upon us every kind of regulation, price control for business, wage control for labor, production control for farmers. . . .

Military conscription is essentially totalitarian. It has been established for the most part in totalitarian countries and their dictators led by Napoleon and Bismarck. It has heretofore been established by aggressor countries. It is said it would insure peace by emphasizing the tremendous military potential of this country. Surely we have emphasized that enough in this war. No one can doubt it. On the contrary, if we establish conscription every other nation in the world will feel obliged to do the same. It would set up militarism on a high pedestal throughout the world as the goal of all the world.

*From a speech delivered at the Gettysburg National Cemetery

Militarism has always led to war and not peace. Conscription was no insurance of victory in France, in Germany, or in Italy. The countries with military conscription found that it was only an incident and not the determining factor in defense or in victory.

Military training by conscription means the complete regimentation of the individual at his most formative period for a period of twelve months. If we admit that in peacetime we can deprive a man of all liberty and voice and freedom of action, if we can take him from his family and his home, then we can do the same with labor, we can order the farmer to produce and we can take over any business. If we can draft men, it is difficult to find an argument against drafting capital. Those who enthusiastically orate of returning to free enterprise and at the same time advocate peacetime conscription are blind to the implications of this policy. They are utterly inconsistent in their position. Because of its psychological effect on every citizen, because it is the most extreme form of compulsion, military conscription will be more the test of our whole philosophy than any other policy. Some say it is unconstitutional. It makes very little difference whether it actually violates the terms of the Constitution. It is against the fundamental policy of America and the American Nation. If adopted, it will color our whole future. We shall have fought to abolish totalitarianism in the world, only to set it up in the United States.

Hire the Polish Army

Proposal by Representative Jessie Sumner of Illinois

THE British Government has announced a decision to discharge the Polish army which, since the war, has been serving in the British army of occupation in Europe. From now on these unhappy veterans, because they refuse to return to Poland where they would undoubtedly suffer the same martyrdom the Polish underground army suffered, are to have the status of "displaced persons." Since the announcement, the communistic Polish Government has requested UNRRA not to give any relief to displaced persons refusing to return home. Thus, these veterans in the Allied cause are condemned to a choice of either going home to be killed or staying away to starve.

Well, justice herself has long since become a "displaced person." The British move, which Mr. Bevin tried to assure us is not appeasement of Russia, is no worse appeasement than the appeasements sponsored by the former Prime Minister, Mr. Churchill. The way Mr. Bevin's government has made starving

"displaced persons" out of Polish veterans is no worse than the way Mr. Churchill in a memorable speech during the war eloquently betrayed both Poland and Yugoslavia and helped the Russian agent Tito seize the government of Yugoslavia and drive the Yugoslavian army out of the Allied camp and into exile.

The British having rejected the Polish veterans, the United States Government can and should employ them instead of American soldiers in the American army of occupation in Europe. . . . The Polish veterans under their able General Anders constitute a brave and proven army of some 200,000 men. They would be a more efficient army than any army drafted for only a year or so because of their experience fighting the recent war against the Nazis from beginning to end, serving longer than any other Allied army. Being on the spot and without any means of livelihood, they could be hired for as little as the American Government cared to pay them. Staffed with American officers they would relieve American youths of having to be forcibly drafted into the army.

Of course, the proposed draft army is not necessary anyway. As many of you know from their own lips, war department experts who dare not say so publicly, consider the proposed draft army as rather a fraud, providing merely a false sense of security than which nothing is more dangerous. What the United States really needs, these experts insist with obvious wisdom is: *One*, a skilful intelligence force serving in strategic spots all over the world; *two*, a reformed reserve training system; *three*, a program of scientific research for converting the industrial genius and capacity of the United States into striking power; and *four*, a relatively small air-borne army of professional soldiers. As you will readily perceive, the suggestion of employing Polish veterans fits into this defense program. Though there are only some 200,000 Polish veterans, other European veterans are available, including the once proud army of Mikhailovitch, now reduced to a mere 50,000 displaced persons hiding for their lives in the mountains.

Because Americans have less interest in Europe than Europeans, any policing that is done should, in all justice, be done by European soldiers. That any responsible government official under present circumstances should seriously consider conscripting American minors, lifting them out of their homes and schools and transporting them to Europe to do forced labor amidst the disease, the famine and the political intrigue there, only goes to show the depths of deterioration into which our nation has been hypnotized and propagandized since the time when being an American meant being a free American.

American Affairs Pamphlets

**Administrative Agencies
and the Law**

By DR. ROSCOE POUND

(Supplement to the Spring Number)

**Why We Can't
Buy Full Employment**

By BRADFORD B. SMITH

(Supplement to the Winter Number)

*Note: Extra copies of these pamphlets are available at 25 cents a copy;
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