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American Affairs

GARET GARRETT, *Editor*

OCTOBER, 1945

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VOL. VII, No. 4

Review and Comment

By the Editor

ON TWO facing pages within these covers is a measure of time on a scale of change. At one end of the scale is President Wilson's statement of national policy toward the problems of reconversion after World War I, and at the other end is President Truman's description of what the government's responsibilities are as now we face again a problem that is physically of the same character. Present difficulties are of much greater magnitude; so also are the resources with which to meet and overcome them. Mr. Wilson said the people themselves would do it and would do it better with no benefit of government, for such was the American way. The ideas implicit in that attitude were deeply fixed in the American habit of thinking and seemed then to have a kind of granite validity. It would have occurred to nobody even to challenge them. What has happened to them in twenty-five years? To say that they have been eroded is not enough. They seem to have dissolved. If today you were to propose that they should govern the nation's postwar policy scarcely a quarter of this generation would know what you were talking about. Imagine that President Truman had said exactly what President Wilson said. It would have been received everywhere with incredulity and dismay by such as could understand it at all, and it would have caused no doubt a grand panic in Wall Street, instead of a good day in the Stock Exchange.

President Truman was asked at his press conference afterward if he knew how much such a program was going to cost, and he said, according to the reporters, that he had no idea. With a debt equal to the value of our total national wealth a few years ago and with our dollar commitments to foreign countries running into vague billions, it seems quite reasonable—it seems in fact necessary precisely on account of the debt—to propose a program of works, loans, guarantees, grants, subsidies, and social benefits, the cost of which cannot be forecast. The new doctrine is that if the government will undertake to provide buying power, when and if it is needed, and thereby underwrite consumer demand at a high level, we can have all the prosperity we

want. To say it another way, the doctrine is that the government can buy demand with debt, and if only it will buy enough of it the activity of satisfying it with goods will keep everybody employed and happy—and as for the debt, that will take care of itself out of the expanding national income. If this is true, then Adam Smith's "The Wealth of Nations" was a book of folklore and the great work on political economy was Grimms' "Fairy Tales"; if it is true, then the rational confusion in which we seem to be involved is verbal only and comes from trying to state the new principles in the obsolete language of a money economy—for, of course, if it is true, the familiar meaning of money is without any sense whatever, and we have unknowingly passed beyond a money economy to something that has yet to be defined. But if it is not true, we are on our way to experience the incomparable disillusionment.



MR. TRUMAN speaks of the "bitter" experience with unmanaged reconversion after World War I. Prices got out of hand, there was gambling in the inventories, then "one of the worst inflations in our history, culminating in the crash of 1920 and the disastrous inflation of 1920 and 1921." That is a very loose historical statement. It would give you no clear idea of what happened, nor any idea at all that what followed 1920 was the Peak Decade, during which industrial production doubled, the national debt was reduced one third by the old-fashioned method of bond redemption and the national wealth by any measure increased at a rate that was never before imaginable. It is true, however, that the free adjustments during the transition period were sudden and painful; and, says Mr. Truman, we must be sure this time not to repeat that terrible mistake. Reconversion this time must be free of any bad happenings. No more booms, crises, and depressions, but in place of them stability, with all the barometric lines running smoothly to a predetermined goal. But since booms, crises, and depressions in the modern case proceed entirely from human behavior, this idea of casting them out, that is, the idea of stability, involves the logical necessity to control human behavior. It is well known that people, if they are let alone, will not stabilize

their own desires. Who then will stabilize them? Who will control this wilful being? The government must do that. There is no other way. And the government will do it in the name of protection. Everybody shall be protected—big business from the fear of inflation or deflation; little business from the consequences of its own littleness; the wage earner from the loss of purchasing power; the farmer from the vicissitudes of farming; and, lastly, the consumer, who shall be protected both from himself as himself in his first aspect, and then, secondly, from himself in all of his other aspects, namely, himself as a big businessman, himself as a little businessman, himself as a wage earner, himself as a farmer, and so on. For everybody in every way a floor, a ceiling and a guarantee. For the ecstasy of great profit will be substituted the ecstasy of security. And this, shall we say, is to be hereafter the American adventure?

IN MOVING for a thirty per cent increase in hourly wages through the whole of the automotive industry the UAW-CIO union has had the wit to seize the new weapons. Its argument is presented on another page as "The Detroit Formula," and you will find there in a militant aspect all the ideas that underlie the policy of subsidized abundance which now is the great theme of government. The union takes its stand on that policy. In support of its demands it repeats the government's own wage-price formula. Wages must rise while prices stand still, and this is in order that mass purchasing power may be increased. The rise in wage cost, if any, must not be added to prices; it must be absorbed by the enterpriser out of his profits—and these may be either past profits from wartime or future profits that are to appear in the general margins of an expanding economy. Nor is this formula to be regarded from the selfish point of view of labor; it is for everybody's welfare, that of the consumer, of course, and that also of the employer whether he can believe it or not. The union's position is that in demanding this increase of wage it is serving not itself first but the economy as a whole. It is in fact upholding and in its own way implementing the government's policy, as it is expressed politically by the Truman Administration, as it is expressed theoretically in the thesis for the Full Employment Bill, and as it sounds emotionally in the Wallace evangel. The two basic assumptions of this policy now begin to assume a kind of clarity. They may at least be stated. The first assumption is that production, whereby matter is converted into an infinite variety of things to satisfy human wants, has become at last a body of self-motivating and self-accelerating phenomena. You do not have to worry any more about production. You may destroy its profit incentive, you may weaken the disciplines of its internal pro-

cedure, you may devour its reserves, you may socialize its motives, and still you may take it for granted because it is inevitable and potentially inordinate. The second assumption is that by law, by subsidy, by monetary and fiscal manipulations, and by compulsion, if necessary, you may create the insatiable consumer who will absorb the interminable output of the machine. If neither of these assumptions is sound, the policy will fail. If both of them are sound, we shall have the answer to two riddles at once, the other one being: What are we for?

WE KNOW very little that we can be sure of about unemployment. We cannot even be sure it is a disease. It may be only a wrong adjustment of human behavior to the sudden growth of our power to produce wealth. Observe that the affliction is peculiar to rich countries, that the extreme manifestation of it is in the richest country of all, and that it is almost unheard of in very poor countries. It may well be that only a rich country can afford it. What are the causes of unemployment, not anywhere, not in any other country, but here?

How much of it is owing to the disparities in productive power, as between a worker who has behind him an investment of ten thousand dollars in tools which he himself did not put there, and, on the other hand, a worker whose equipment is still primitive, like the sharecropper? How can this one produce the equivalent of what that one produces? If he cannot produce the equivalent he cannot buy what the other has produced.

How much of it is owing to the fact that we do not yet know how to distribute leisure?

How much of it is owing to the fact that in a rich society like this prosperity very heavily rests upon producing and consuming dispensable things, that is to say, things we do not absolutely need or things that we can do without for a long time, as if everybody who owns an automobile should wake up one morning with the idea of making it do for another year, which is quite possible as we learned during the war, but which in normal times would produce fearful unemployment in the motor industry and perhaps throw it into bankruptcy.

And lastly, how much of it may be owing to the pricing of labor? That question, for all purposes of popular discussion, is taboo.

NO ONE will deny the abstract proposition that labor might price itself out of the market, which is only to say that it might use its economic and political bargaining power to push wages so high that the demand for labor would fall. So far, no way has been invented to determine beforehand precisely the point in which an increased

wage would begin to have that effect upon the demand for labor. When wages were determined by economic bargaining, with no political factor involved, it could be assumed that wages and productivity would rise together; but even then there was no scientific rule about it, and it would be at one time that industry was overtaking a rise of wage costs by heavier investments in tool power, and at another time that it was sharing with labor the results of higher productivity per man hour already achieved. That was rough enough, but it worked, and over a base of years the rise in wages, which was fairly constant, was definitely related to the greater productivity per man hour of labor. In that scheme, wages, in fact, were unlimited, or, limited only by productivity; wages and profits could rise together because both were paid out of production. When in 1933 the government intervened, purposely to give labor an advantage in bargaining power, and did this as a matter of public policy, on the theory that higher wages would bring industrial peace, swell the national income and thereby improve the demand for labor, the natural working relation between wages and productivity was destroyed and has never been restored. All during the depression, with the demand for labor falling, the price of labor advanced. While unemployment was rising to a figure representing one-fifth of the entire labor force the average hourly earnings of those who continued to be employed by industry increased nearly one-half, to a level higher than any level before. Unemployment relief out of the Federal Treasury, rising at the same time to more than \$3 billion a year, was in very large part a public subsidy in support of the high wage structure. What the sequel might have been no one can say. First came the defense program, and then the war. But certainly there is nothing in the history of the depression even to suggest that the evil of unemployment can be cured by an undertaking on the part of the government to guarantee full employment at high wages.

THE state of our knowledge about unemployment being perhaps at a par with the state of medical knowledge a few hundred years ago, it may be quite natural that we should attack it by methods such as the King's Touch for Scrofula, or blood letting as a cure for any bad humor of the social body. All that was ever proved for phlebotomy was that a strong patient could stand a lot of blood letting and that if he didn't die he got well in spite of the cure. Fancy trying to explain to the untouched intelligence of a visitor from some other world the terrible meaning of a chart on which he will see three lines. One line represents the gross national product of wealth, and it rises diagonally across the chart in a very angry manner. The second line represents the average number of persons

employed to produce this national quantity of wealth, and this one has the action of rising only a little, and then of running level, with an inclination to fall. The third line represents the number of unemployed, and that line has a very definite tendency to rise. Your visitor asks what is so terrible there. You answer: "Don't you see that it takes fewer and fewer workers to produce the nation's wealth?" He says yes, he can see that, and yet what of it? You reply: "Don't you see that it means unemployment. Unemployment means social distress. Millions of people idle, jobless, resentful for that reason and meditating revolution. Unless we can think of a way to solve this problem of unemployment our free institutions may fall." Your visitor may not tell you what he really thinks, either because he is tactful or because after a moment of anxious reflection he decides to assume a soothing manner; but when he gets home he will report: "They are quite mad, those people over there. They produce wealth of all kinds with such astonishing ease that it is no longer necessary for them to spend the whole of their time at work. Their wants increase in a prodigious manner, and when there is no longer a natural unsatisfied want they invent new wants, and yet they are able to provide themselves with anything they can think of wanting and to do this with an ever diminishing measure of exertion, to the point at which they are no longer able to keep themselves fully employed. Therefore they are in a state of despair, asking themselves what they shall do with their surplus labor. But then if you read the books they have written to find what their economic philosophy has been hitherto, or what it was they were aiming at, you will find it explicitly stated that their aim all this time has been to increase the sum of human satisfactions with less and less labor. Their machines and their methods had no other meaning."

ONE might have guessed that the planners were already thinking beyond the Full Employment Act. It is true, they have been; but not out loud. Here and there, however, their thoughts begin to come through. In a guarded way they propose the question: Will a guarantee of full employment by the government, and that alone, do the job? And the answer—their own answer—is no. Why not? Because you cannot be sure that the people will spend the money, or all of it; they may save or hoard too much of it, and thereby defeat the end in view. Having guaranteed full employment, the government, therefore, will find that it must go on to guarantee consumption, which is to say: "First guaranty of full employment itself; and second, a guaranty of the total national consumer market at a high level." These are the words of Dr. John H. G. Pierson, who may be supposed to speak knowingly;

he is a consultant of the Bureau of Labor Statistics of the United States Department of Labor and he wrote the Labor Report for the National Planning Association. He goes on to say: "In addition to a guaranty of full employment as such, I think we need a further guaranty that total consumer spending will not fall below a specified high level. This kind of guaranty would meet the oversaving program head on. The income paid out by full employment production does not necessarily yield an ample market for business because too much of this income may be saved and too little may be spent. The consumer market guaranty, on the other hand, would give to business the assurance that this unfortunate thing would not happen."

Dr. Pierson's words are important not because they are his but because they belong to something like a musical composition and represent anticipation, that is, the introduction beforehand of part of a chord the rest of which is bound to follow. When the government undertakes to provide full employment it must assume responsibility also for the product of full employment; it must guarantee also full consumption. And if it is going to guarantee full consumption it must necessarily possess the means to compel consumption. It cannot stop even there. It must have means also to restrain excess consumption because excess consumption will lead to underconsumption later, whereby again the end in view is defeated. So, therefore, says Dr. Pierson—and his logic is perfect—let the government "set a ceiling over consumer spending as well as a floor underneath it." The techniques whereby the government may compel people to spend more when they are not spending enough, or to compel them to desist from spending when they are spending too much, are already perfected and have in fact been applied. It is done by fiscal and monetary manipulation. The results, however, are statistical and general, affecting totals only. There is bound to arrive the particular case. Suppose there is unemployment in the motor-car industry because people are not buying all the cars that flow from full employment of the automobile workers. This is a very serious matter because unemployment in the motor-car industry, if nothing is done about it, will certainly spread to other industries and cause general unemployment. What will the government do in that case? Either the whole scheme will be imperiled or the government will have to take the last step, which is to say how many motor cars people shall buy each year, and see to it that they do buy them, on the ground that the individual who does not buy his share of the automobile output is thereby creating unemployment in the automobile industry; his behavior is antisocial. This will involve a kind of upside down rationing. The individual consumer's freedom of choice, to buy or not to buy—that will have to be rationed.

Winds of Opinion

The first Full Employment Act was the expulsion of Adam and Eve from the Garden of Eden.—*Virgil Jordan.*

The United States at this minute stands at the summit of the world. Let them act up to the level of their power and responsibility, not for themselves but for all men in all lands, and then a brighter day may dawn on human history.—*Winston Churchill.*

We have made rapid advances in the art of government and we have mastered vast national problems. . . . Never before has the government in numerous ways come so close to the daily life of each citizen in each community. We all have learned that our government has come to play a role, a positive role, in our lives.—*Harold D. Smith, Director, United States Bureau of the Budget.*

We must trade with Russia to prevent the world from splitting into two hostile ideological camps.—*Henry A. Wallace.*

I cannot myself escape the conviction that the aspects of the Russian system which strike the average Americans as most inconsistent with our own ideas of freedom have persisted because of Russia's fear of war and foreign aggression.—*Mr. Justice Black.*

On the question of political organization, such as that proposed by the San Francisco Conference, I think we may hope to have ideals of justice and freedom and law prevail in the end. . . . So far as economic relationships are concerned, they are business. They are business with every nation in the world except the United States.—*Senator Taft.*

Everybody must realize that we are moving toward the condition where the accumulated resentment against the abuses of arbitrary power will reach the point of explosion.—*Representative Hatton W. Sumners of Texas, Chairman of the House Judiciary Committee.*

But history shows us that business, labor, and agriculture cannot in themselves assure the maintenance of high levels of production and employment. The government, acting on behalf of all the people, must assume this responsibility and take measures broad enough to meet the issues.—*Fred M. Vinson, Secretary of the Treasury.*

Many people think that the war has produced the great threat to the institutions which have made America great. Wherever interference with the normal interplay of forces in our economic life has re-

sulted disastrously, the administration spokesmen are pleased, indeed, to lay the fault to the war. It is true that there are some dislocations which are inevitably due to wartime conditions. It should be recalled, however, that most of the legislative pattern under which we live was developed long before we entered the war.—*Senator Robertson.*

It is not true that wars, or at any rate modern wars, have been brought about by economic causes. Germany could have made itself as prosperous as any nation in the world without one foot of additional territory. Japan could have obtained more by trading than it could ever obtain by war. It is true that here and there economic sore spots may exist creating dissatisfaction and disturbance, but they are not and never have been as numerous or as likely to create war as political sore spots like Poland and the Balkans.—*Senator Taft.*

We have fought wars and are fighting this one only to preserve freedom. We have all given up great measures of freedom to achieve victory. We should let no one forget for a minute that we want those freedoms back and we intend to have them.—*James A. Farley.*

It is more than a mere joke that managed currency and concentration camps differ only in degree.—*Hermann Rauschning, in "Redemption of Democracy."*

Closely allied to the fatalistic argument is the one—Let us take the middle way. The middle way is frequently taken by those who do not know where they are going, and so find comfort in having company on both sides.—*Professor F. A. Harper.*

This is a world in which freedom is beset, suffering more from those who claim to be its friends than from those who are avowedly hostile.—*The Economist.*

When the total war is over, Stalin has a chance to be the greatest Russian of all time. His people have had almost 30 years of struggle. Now they want to reap the benefits of their labors. They have been promised and they want consumer goods and pleasures and peace. It is absolutely essential for Mr. Stalin to supply these wants.—*Admiral Standley, the Ambassador to Russia who made Stalin acknowledge lend-lease.*

The people expect us to trust the Executive. We cannot interpret the law as we write the law; it is not our duty to do that.—*Representative Wright Patman of Texas.*

If free private enterprise isn't free, it isn't going to be private and it isn't going to be enterprising.

If it isn't private, then you know it isn't free, and you certainly can be sure it isn't going to be enterprising. But never forget the last of the three words. If somewhere amongst us there isn't the will to be enterprising and to face tomorrow with venturesomeness, then enterprise isn't going to be free and it certainly isn't going to stay private.—*J. Frank Rushton, Jr., President of the Birmingham Chamber of Commerce.*

A lot of people want to be cared for and a lot of people want the jobs of taking care of those who want to be cared for. I would rather have 100% of my wages and my liberty, and take care of myself, and then I would not have to take care of the fellow who is taking care of me.—*Anonymous.*

Dire Prophecy

A SYSTEM of economic control on the scale envisaged by the Potsdam Declaration is probably impossible under any conditions. The joining of a bad territorial and a bad economic settlement to a cumbrous and exacting system of Allied occupation and control seems precisely designed to create in a few years' time a revulsion of feeling in the West compared with which the revulsion against Versailles would be as nothing. Once the process of relaxing the settlement had begun, in what fatal resurgence of German power might it not end? The Potsdam settlement will not last ten years, and when it breaks down there will be nothing but the razor-edge balance of international anarchy between civilization and the atomic bomb—*The Economist.*

Obsequies of the Atlantic Charter

TO THE bill increasing the power of the Import-Export Bank to make loans to foreign countries in its own discretion, Representative Dirksen of Illinois offered an amendment, which the Clerk of the House read, and which the author then expounded as follows:

"The amendment says that if there is any aggrandizement by a country in violation of the Atlantic Charter there will be no credit under this bill. It says that if there are any territorial changes by some country that is not in accord with the freely expressed desires of the people involved, there will be no credit. It says in effect if the right of a people to choose their own form of government is restricted there will be no credit under this bill. What it says is this: No freedom, no credit. No freedom, no money out of the American Treasury.

That was on page 7667 of the *Congressional Record*, July 13. On page 7670 the matter was disposed of as follows:

The question was taken; and on a division there were—ayes 9, noes 93.

So the amendment was rejected.

God and Caesar

John Murray and L. P. Jacks

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1. Whether the tribute we are now paying to God and to Cæsar respectively is justly proportioned between the two.

2. Whether the Levitical assignment of one tenth to God fixed His proportion high enough, and whether he was nearer the mark who wrote:

"Were the whole realm of nature mine,
That were an offering far too small."

3. Whether it is right that Cæsar should be sole judge in fixing the proportion due to himself with overwhelming power to enforce the payment thereof.

4. Whether Cæsar's power has now grown to such a height that he can raise his share of the tribute to any extent he may choose, even though it leave nothing over for God.

5. Whether the argument that in paying tribute to Cæsar we pay it indirectly to God through His Agent is sophistical and blasphemous, a cunning invention of Cæsar's to justify the robbery of God and His servants.

6. Whether the heavy tribute now paid to Cæsar is being used for destroying what has been built up by tribute paid to God, and whether democracy or any other political system can give the assurance that it will not continue to be so used.

7. Whether it is fitting that Cæsar should outdo the highwayman by claiming for his tribute the lives of the tribute-payers as well as their money.

8. Whether, among all the means of production for which state ownership is now being advocated, the producers, or workers, are not the most essential; and whether state ownership of the other "means" would effect its purpose unless the workers also were state owned.

9. Whether free Britons will take kindly to being state owned and be easily persuaded, as the Nazis teach, that their persons as well as their goods are state property.

10. Whether the democratic principle of "no taxation without representation" is an adequate safeguard against Cæsar's encroachments, or warrants the conclusion that the taxes will be less crushing with representation than without it.

11. Whether Napoleon Bonaparte and Adolf Hitler, in their respective day and generation, have had more to do in fixing the level of British taxation than the British people or their elected representatives or their Chancellors of the Exchequer.

12. Whether the definition of the State as "the

individual writ large" should be construed by the individual as a compliment or as an insult.

13. Whether the present age has fathomed Christ's bidding that men render unto Cæsar the things that are Cæsar's and unto God the things that are God's.

14. Whether in this matter Christ did not so much answer as subtly rebuke his questioners for lacking religion, and whether from those that render God nothing Cæsar may not the easier take all.

15. Whether ungodly times are a provocation to Cæsar to usurp God's place, and the times are thus made more ungodly still.

16. Whether tyranny is ever worse than when it spreads into homely and private matters of a man's household, and sets children against their parents and the young against the old, and corrupts the schools.

17. Whether Cæsar's nature is not the same the whole world over, namely to enslave those who acknowledge no debts but to him.

18. Whether many of our countrymen hold the contrary opinion erroneously, some from simplicity and others from laziness.

19. Whether among ourselves Cæsar's power is not increasing quickly by various other causes and by the help of the fine names he gives it, as Democracy, Equality, Justice, and so on.

20. Whether fine names or specious principles, or sophistical pretensions can delude Cæsar's victims for very long, and whether once they have discovered the fraud they will be rid of it without hard fighting.

21. Whether those who would bestow all power and right in Cæsar's hand, making him their overseer, paymaster, teacher and judge, have considered where to seek redress against his wrong and oppression.

22. Whether a judge who holds a universal authority in all matters and is a party in all dealings and actions and is continually a judge in his own case can be counted on for justice.

23. Whether he is likely to respect the old watchwords such as "No taxation without representation."

24. Whether those who are the most taxed are likely to have the most say about it, or the least.

25. Whether when the seven years' famine brought the ancient Egyptians completely into Pharaoh's hand, themselves and their goods and lands, this was a calamity or an ensample for us, and whether the Egyptians were better men for all this, or have even yet altogether recovered from it.

Frame of the Future for America*

By Virgil Jordan

The Wonderful Interlude

"So, for a hundred and fifty years men and their minds escaped into the world, and spread over it, enjoying for a while a freedom and prosperity, vitality and creative power they had never known, and multiplying in Western Europe and America to three times the number they had attained in all recorded history up to that time."

Then the Return of Omnipotent Government

"Yet the plain truth is that the idea of unlimited government has emerged as the universal victor in this war in the minds of men everywhere, among conquerors and conquered alike, and it has done so by virtue of the overwhelming power of America, where the age of alchemy has come to fruition in the atomic bomb."

**This is an address that was delivered by Dr. Jordan at Rutgers University, September 13, 1945. It will be made into a book by the Rutgers University Press, under the title, "The Frame of the Future." The book will appear next January. Rutgers University Press, New Brunswick, N. J. Price, \$1.50.—EDITOR.*

I

EVERY industrial system, every organization of production, distribution and consumption, anywhere at any time is simply a pattern of human behavior framed by general forces and conditions which delimit it and distinguish it from others that have been or might be imagined. The forces and conditions which compose this frame of the industrial picture are of several kinds. They are partly biological, having to do with the qualities and characteristics of the human material involved in the industrial process, its growth, vitality, health, adaptability, capacity to survive; and they are partly cultural and institutional, having to do with men's ideas, hopes, habits, manners, customs and morals, their technical arts of production, distribution and finance, and the character of the State or the political institutions by which they are governed.

Up to about two hundred years ago, with a few local variations, as in the Greek and Italian republics, the picture of the productive organization framed by those factors seemed essentially changeless for centuries. It was set in a rigid frame of force and fatalistic necessity, characterized by slow growth of population, rooted in an agrarian and handcraft economy, dependent upon human and animal muscle power, and ruled by the elaborate structure of political and religious ideas and institutions of unlimited government embodied in the divine right of kings, princes and priests, in feudal serfdom, slavery or status, in state ownership of property and labor, absolute monarchy and military imperialism. Men worked, lived and died within that

kind of frame during most of the human record until the middle of the eighteenth century, and except for the few whose sense of individual initiative and responsibility found expression in art, religious contemplation, military prowess, or pursuit of personal political power, perhaps the only salvation or escape from it that the mass of mankind could find was in some hereafter which their priests and prophets promised them.

That iron frame was shattered, for the first time in history, by the immense release of human and molecular energies which came with the application of steam power to the productive process in what is called the Industrial Revolution. It not only removed to a remote distance the checks upon population of which Malthus warned, and freed industry and labor from bondage to the land, the slave market and the guilds. It was the power machine that broke the power and overwhelmed the superstition of unlimited government, which never had the wit or imagination to harness the inventor or scientist to its chariot, or chain them to its throne, and did not have the foresight then or the strength thereafter to make the steam engine a monopoly of its own. So, for a hundred and fifty years men and their minds escaped into the world, and spread over it, enjoying for a while a freedom and prosperity, vitality and creative power they had never known, and multiplying in Western Europe and America to three times the number they had attained in all recorded history up to that time. With it came an expanding instinct and opportunity for individual adventure, responsibility and risk, which expressed itself in a vast increase in production, acquisition

and distribution of wealth, through exploration, invention and enterprise.

Few who have not looked at it in the perspective of the past realize how fully and firmly the picture of life and work in the Western World up to the First World War was set in this frame shaped by the rapid growth of population, the use of power machines, the world-wide exchange of raw materials for manufactures, private individual and group ownership of property, voluntary private investment in fixed plant, free enterprise and voluntary employment, and limited government under constitutional guarantees and parliamentary control of the public purse. Fewer still are aware how steadily that frame was dissolved in nearly every country during the generation since the First World War, and hardly anyone can see clearly what has taken its place.

Every element that formed the frame of life and work in the century and a half before 1914 has changed so fundamentally and swiftly during the past generation that despite the speed and scope of information and education, men's minds have not as yet been able to absorb the significance of the transformation, still less to adjust their lives to it. So we live in a time of confusion and deep-seated anxiety without parallel in our experience, as the almost psychopathic emphasis on the idea of security and the frantic search for mechanisms and formulas to attain it attest. I shall try only to sketch a few of the more obvious changes in the frame of reference which have taken place, and suggest some of their possible implications for the problems of the relationships between management, labor and ownership in American industry. In these changes I distinguish several factors or forces which seem to me to be shaping the frame of the future, and for convenience in describing them I shall divide them into three classes, the technological, biological and ideological, though I know that they are constantly interacting and cannot be clearly separated.

II

AMONG these factors the most obvious and probably the most basic are the technological and economic, having to do with the fundamental change in the character of the arts of production, distribution and finance which has occurred more or less unnoticed in the past thirty years, and which the atomic bomb has brought to a catastrophic climax of confusion, fantasy and fear in men's minds. That change is perhaps more profound and far-reaching in its significance than the change that moved the world in the Industrial Revolution from the productive system of the endless past, based upon tools and machines moved by muscle, water or wind power, to one based upon machines moved by the molecular energy of coal and oil.

We often forget that the first Industrial Revolution did not consist so much in the invention and use of machines and tools to save labor as in the application of a new source of power which made possible the invention and use of new machinery and tools that would have been meaningless or useless before. This change altered the frame of life and work for the Western World because it released labor from its roots in agriculture and localized handicrafts, enormously increased production and distribution, speeded transportation and expanded the exchange of commodities; but these commodities were for most part still essentially the same that men had produced from the land and the mines by hand labor for centuries before.

We forget, too, that the Industrial Revolution was accompanied almost simultaneously by the development of the modern banking system, corporate organization of industry, and the payment of labor in money wages, with an enormous expansion both of credit and gold production. These economic mechanisms of finance and exchange vastly assisted in the distribution and consumption as well as in the output of the increased product which steam power machinery made possible; and as we look back upon it we realize that they barely kept pace with the new machines of industry, for over the whole period, except for temporary and local wartime inflations and depressions, the value of money in terms of commodities changed little. For a century or more after the first Industrial Revolution, until the internal combustion engine was developed—which means practically up to the beginning of the First World War—the vastly extended machinery of production and finance still revolved around the axis forged of the iron from which the machines were made, the coal that moved them, and the gold that formed the foundation of the credit system that financed the production, distribution and consumption of the output. Thus, though the Industrial Revolution freed vast populations from local bondage to the soil, and gave them larger purchasing power in terms of money wages, industry, labor and markets were still tied to the iron, coal and gold mines, geographically and economically, and limited by the means of transportation and finance which these made possible.

This side of the frame of the industrial picture began to be stretched somewhat toward the end of the nineteenth century by the increased use of electric power, the internal combustion engine and the cyanide process of gold extraction. But it was not till a generation ago, when the First World War started, that the frame definitely began to break up on the technological and economic side, and the world emerged from the machine age into the chemical age, nor did we fully realize it till the atomic bomb burst in upon our consciousness.

What has happened is not merely or mainly that in the release of nuclear energy the world has found a new source of power to move machines. We do not need that, for our present sources in coal, oil and water are inexhaustible, or ample for all needs, and still cheap enough to be wastefully used; nor can we yet be sure that the new sources of atomic energy are abundant, widely distributed, economical or safe enough to use freely for a long time. The age of alchemy in which we live today means essentially that we can now make anything—materials, machines and energy—out of anything or nothing, anywhere in the world, in any amount, almost without measurable cost. On the purely technological side this implies that the limitations upon the “iron men” of the old Industrial Revolution, imposed by the materials of which they were made, the materials which they processed, the power that moved them, the people who operated them and the place where they worked, have been lifted. The machine age enabled us to make these iron men for every purpose, with almost superhuman capacity, until in our time nothing really new in mere mechanism is imaginable. But they were still born mainly of the iron and coal mine, the blast furnace and the long-term mortgage bond, the thrift of individual investors, the enterprise of management, and the skill of urban labor. They could not reproduce themselves, and they were kept alive as long as possible to pay interest and dividends.

In the chemurgic age, they have been turned loose to roam the world at will, multiplying themselves out of the air or any other material by a sort of parthenogenesis, living more and more without benefit of investment or labor, producing their capital and wages as they go, and vanishing almost overnight like day flies, leaving behind them an endless stream of synthetic milk and honey for the consumer. And since the only scarce commodity upon which they really depend for food is the human imagination and will to power, a recent dramatist has visioned that they may some day be driven to hunt men down in their caves like grubs—“homogrubs,” as he called the surviving humans of the time to come—to sustain themselves. Yet even this image is framed in old-fashioned terms of the machine age, for in little more than a generation modern industry, as we know it especially in America, has ceased to be an assemblage of miraculous and almost human machines living around coal and iron mines, or even at the end of electric power lines. It has become a chemical or electronic laboratory process, a continuous confluence of atoms, molecules and energy, involving fewer and fewer men and less and less money, and almost no necessary local habitation or name.

We are already somewhat familiar with the fantastic technological consequences which flow from the age of alchemic transmutation of matter, for we

have been living in and by the chemical and electronic laboratory for nearly a generation, and have used plastics, synthetic rubber and textiles, vitamin extracts, hormones, new organic materials and new metals in our everyday life, or in war. It is easy to imagine how this second Industrial Revolution has made, or will make, the process of production an unlimited, inexhaustible universal and completely flexible flow of atomic and molecular materials and energy, unrestricted by natural resources to any part of the world, and less and less dependent upon time, labor and fixed plant. It is easy to understand, too, how the idea, hope or demand for unlimited, universal, automatic and almost magical abundance and leisure has emerged anew with this second age of alchemy.

But few of us are yet able to see clearly what the transition from a mechanical to a chemical productive technology may mean for those economic institutions and mechanisms—money, wages, savings, investment, credit, private property and enterprise, and foreign trade—which framed the machine age following the first Industrial Revolution. Still less are we able to envision its effect upon men themselves, their growth, vitality and qualities, and their political ideas and institutions, and international relations. It would be foolish to forecast these consequences in concrete terms, for it is as yet by no means fantastic or impossible to suppose that mankind may be destined to destroy itself by some accident, some deliberate stupidity, or some mistake in the position of a decimal point, before it has a chance to answer any of these questions, if it leaves its life and work wholly in the custody of its scientists and the laboratories, now that they have come so largely under the control of its politicians.

SO FAR as concerns the economic effects upon the frame of the future, a few things are fairly clear, though their implications are still superficial, and I cannot imagine their ultimate consequences. Much of what is said today about the problems of postwar reconstruction is significant only in that it shows a confused groping toward a comprehension of these changes, but it fails largely because our thinking in these matters is still shaped by the frame of the machine age, with its money wage system, its fixed plant, long-term investment, voluntary employment and consumption, and free market.

The most general fact we must face is that the age of alchemy is dissolving, or must ultimately dissolve, the monetary mechanism of exchange of goods and services as we have known it, just as it is dissolving and transforming other materials and machines. It is not merely that we have found the philosopher's stone and can make gold or almost any other element in our laboratories; but that it is really no longer worth doing, because nothing,

whether gold or any other material, can be of permanent or lasting value to anybody under a technology of transmutation rather than one of manufacture. Even today no one can define with any confidence or clarity what a dollar is or what it is worth, in terms of gold or anything else, except in connection with some specific international transaction or current domestic use; and no one would dare to guess what it would be worth fifty years from now for either purpose. Dollars are now being made not in mints, or even in banks, but in laboratories and government bureaus. What they are or will be worth depends mainly upon atoms, chemists and governments, to some extent still on management, but hardly at all on labor and land.

So my guess is that as you come to a time when gold or paper or anything can be made anywhere of anything else, money as we have been accustomed to it must be of little or no use as a store of wealth, and its value will probably tend to disappear. We can now think of such an event only in terms of rising prices, or what we call "inflation" or depreciation of the currency; but it may not happen that way at all, for if things were freely available, without much effort or time, money would be worth little or nothing, too, except as an arithmetical or accounting convenience, which might be served some other way, as by some sort of general ration card. Certainly no one would think of saving any of it, for it would be terribly subject to the erosion of time and technological change.

As one implication of this process, long-term fixed interest investment in fixed plant or property seems likely to disappear, not only because interest will have no point where money has no value, but because the value of fixed plant itself must evaporate very swiftly in a productive system so protean in its output, flexible in process and fluid in location as the industry of the alchemic or atomic age is likely to be. For a while, in a few remote parts of the planet still struggling to master the methods of mechanical mass production, a few primitive and predatory political junk men like Uncle Joe may continue to collect and cart off pieces of machinery and set up factories financed with thousand-year mortgage bonds, or government securities, but so far as America is concerned even now most of the plants, machines and productive methods of yesterday are out of date tomorrow, and whatever form of financing may be used for them must correspond to the perishability of such property and its product. Perhaps the only kind of mortgage bond or any sort of real property it will be possible to imagine in the age of alchemy would be some form of general obligation or nominal lien on the national income, resembling public debt. Already the very idea of debt, public or private, as either a moral obligation or an economic burden or asset, is regarded as a hangover

from the old-fashioned frame of the machine age, with its fixed plant, long-term investments, and ethical prejudices.

To speak of property at all in an age of automatic or magical abundance is probably a confusion out of the past, except perhaps as regards the passing possessions of purely personal use. Even now a large and growing part of our consumption, use or ownership of goods and services is communal and compulsory. We all have to lay out a large portion of our personal money income for things we did not individually choose to buy or own, whether we use them or not. The amount of things we are individually able to use is limited, and it is plausible to expect that in an era of unlimited and almost effortless production an increasing portion of the output would be bought or provided for us collectively for communal use.

This is essentially what happens in war, and we are told often enough today that the same principle of involuntary collective consumption can and should be applied in peace, for better purposes. Current programs for public works, public housing, communal feeding, free medical, dental and other facilities, reflect this conception of collective consumption and property ownership, and are, after all, only a natural extension of free compulsory education and other established economic mechanisms. The ideas underlying the Full Employment Act are fundamentally merely an expression of the drift of thought in this direction, confused as it is with old-fashioned conceptions, formulas and phrases carried over from the machine age, including "free enterprise." Though these things raise many questions in our minds, it is meaningless to condemn or defend them, for they flow inescapably from the technological forces and tendencies I have mentioned, so far as these may be realized.

I SHALL mention only two more implications of this change in the technological frame of the industrial future, one of minor and the other of major importance. The expanding tendency toward collective consumption and the diminishing sense of property ownership which accompany the cornucopia era of modern alchemy must affect our international as well as internal economic relations, and especially the mechanism of foreign trade which reflected the exchange of natural raw materials and manufactured goods in the machine age. It seems plain that this change is already expressed in the intensified and swiftly spreading impulse to compulsory collectivism in international affairs precipitated by the recent war. But beneath it is the simple technological fact that, as we have emerged into the chemical age when it has become possible to make material, machines and energy of anything anywhere in the world, the old-fashioned system of

foreign trade and international economic or political struggle for markets and sources of raw materials, centered in the coal-iron-gold axis of the machine age and the exchange of natural materials for manufactures, must be more and more meaningless.

Foreign trade is likely to be of steadily diminishing importance, save as a means of extending the process of compulsory collective consumption of the products poured out by the atomic alchemy of America. Even such foreign commerce as we seem to carry on is likely to be largely collectivized in fact through the mechanism of international government financing and state control, and through forms of lend-lease for relief and rehabilitation, or for domestic "full employment." Though only dimly realized, this is the latent idea beneath the Bretton Woods and other international economic agreements which emerged from this war. Whether or not in this sense the future role of America appears merely as a sort of purse of Fortunatus, a global Santa Claus, an international almoner or as an Aladdin's lamp lighting the path or providing the means to planetary peace, prosperity or full employment, we should not imagine that what we may be doing is old-fashioned foreign trade. The frame of the future does not include the free world market for voluntary exchange of raw materials and manufactures, which built the British Empire and the prosperity and depressions and wars of the machine age. The chemical age has dissolved it and the atomic bomb has vaporized it.

We can be fairly sure of this economic consequence of the technological revolution, and of some of its political implications which I shall mention later. A major economic enigma remains, which I can only put to you as a question, to which I do not pretend to know the answer. In the era of limitless, effortless, automatic production which the age of alchemy makes possible, what will take the place of money wages, dividends, interest and profits, and property ownership, as incentives to labor, enterprise and saving? It is trite to say that the immense expansion of production, the spread of prosperity and employment, the rise in the standard of living which came with the development of the machine age after the first Industrial Revolution, and the emergence of the age of alchemy itself, were the product of the increased individual voluntary initiative, enterprise, thrift and the impulse and power to acquire property which accompanied the transition from status, serfdom or slavery to political freedom and civil liberty. The economic and political philosophers of the eighteenth century told us that these things were in accordance with the natural character and rights of man, and their truth seemed to be attested by the success with which the resulting release of creative human energies enabled men in the Western World to attain unprecedented pros-

perity, security and social progress by more effective voluntary work and thrift. Why is it that now, as the whole world stands already far beyond the threshold of the age of alchemy and atomic energy which these instincts and ideas made possible, they have become meaningless or even menacing to hundreds of millions of men, in America as elsewhere in the world?

IT IS possible to comprehend that, as I have said, in an economic organization in which goods and services may become available anywhere almost without limit or cost and with less and less labor of muscle or mind, the values put upon effort, time, thrift, money and property must change. In the cornucopia or push-button economy of the chemical age it seems likely that the conflicts and collective-bargaining problems as between labor and ownership—already rather illusory—about wages and time will disappear, though the political problems of management may not. Work, and even mental labor, will be worth so little or be so unnecessary in industrial production that the distribution of the product cannot be related to it; the main economic problem will probably be to get it consumed and the main political problem to keep the population occupied and amused.

Since scientific discoveries, artistic talent, or intellectual wisdom are usually accidental or not dependent upon money reward, the danger will not be that we may have too little of them, but that we may not be able to prevent the scientists, artists and philosophers from eliminating the rest of mankind, or at least removing its government officials, by some fortuitous revelation. It must be plain already that some other way of distributing the products of industry for consumption or use than by means of money wages, interest, dividends or profits proportioned to time, effort or thrift, or collective bargaining, must be discovered. Indeed there are many indications that such means are being developed now in the devices of government to provide free goods and services, social security, minimum wage guarantees, *et cetera*, though the arithmetic of the money system is still being used in most of them. Through compulsory collective saving and consumption, through the growing tendency to equalize and guarantee money incomes or living standards by law, taxes and public spending, it is clear that we are moving swiftly away from the economic organization which related remuneration in some fashion to individual effort, thrift, risk, ingenuity or enterprise, or collective-bargaining power, and thus the force and significance of these ideas, instincts, manners, morals, customs and institutions is being dissolved. But what is replacing them as the impulse, motive power, or principle of life and work?

To any one who understands the meaning of what

is happening today it must be plain that in fact we are no longer living in a money economy. But the bridge to the future, over the abyss—not merely of financial bankruptcy, but of human behavior—has not yet been built.

III

WITH this question we come to another aspect or element of the frame of the future which is less patent and more problematic than the forces of technological and economic change we have been exploring, and inseparable from them. Along with these changes which are transmuting the materials and mechanisms of industry, what is happening to the human material of the community—its biological qualities and characteristics as an organism, its ideas, motives, morals, manners and customs and political institutions? As regards the population of Western Europe and America, particularly the urban and industrial population, a few facts which must affect the frame of the future for industry are clear enough.

The most obvious, for which there is abundant evidence, is that it will soon cease to grow and in fifty years it will begin to decline. The rapid increase in population which accompanied the Industrial Revolution stopped in Europe and America about the same time as the transition from the machine age to the chemical age started, a generation ago. We know that in the preceding century and a half not only did the population multiply faster than in all preceding recorded history, but these people which the machine age seemed to spawn were healthier, stronger, even measurably taller, and lived longer than the average ever before.

Since then the main biological change to be seen is that the urban population no longer reproduces itself, and the cities and industries of these areas have long been drawing upon the rural population for replacement. Now, apart from the usual wartime increase, even the rural population in Europe and America is reaching the critical point where it must soon decline. This is specially marked and familiar in England and France, and the after effects of the war in Europe will speed the process. Russia may supply the deficit, if she lets her own people out, or takes Europe in. Throughout the ages the population of the Asiatic heartland, as the geopoliticians call it, which is poor in resources and hard to live in, has multiplied without limit and repeatedly pressed down into Europe and even the Americas, India and Australia, which are merely peninsulas of that area. But there are no trustworthy statistics about the Russian population, or anything else in that country. Apart from that possibility it seems pretty certain that there will be fewer people of any kind in Europe fifty years hence than now and both there as well as in America there will be fewer children, more old people, more mere consumers and

fewer workers, more pensioners and probably fewer taxpayers.

We can be fairly sure of these things in the frame of the future, unless the scientists of the brave new world of modern alchemy devise means for mass production of test-tube babies; but what they will mean for the industrial picture I do not pretend to surmise, except that they will certainly much complicate the problems of consumption and occupation which accompany the cornucopia economy of the chemical age. The unprecedentedly rapid growth of the Western peoples in the past two centuries seems somehow to have more than merely economic meaning. Power machinery required more workers and consumers, and made it possible to support them. Yet the standard of living is vastly higher and the economic conditions much more favorable for large families today than they were then. All that we know is that while modern science, industry and government have been able vastly to reduce the death rate, they have nowhere been able to do anything about the birth rate. This part of the human species is not surviving, and all that we can say about the biological significance of that fact is that it does not seem to be successfully adapted to the environment it has created, or perhaps *vice versa*.

Whatever the reasons for this, we can at least see its expression in certain qualities and characteristics of the peoples of Western Europe and America which have become plainly evident in the past generation and which mark a great change from those of the same populations in the preceding century and a half. They are much more uniform, stereotyped, group minded, and susceptible of mass manipulation and regimentation. They are less differentiated, and have less personal energy, initiative and ambition. They are less individualistic, enterprising, adventurous, self-reliant, with less sense of personal responsibility, more passive, more concerned with security, more indifferent to freedom, more cooperative, compliant and dependent. They are more open minded, less disposed to be dogmatic about ideas or principles, with greater capacity for compromise. Relativism is their prevailing philosophical attitude or way of thinking about intellectual and moral, political and economic problems. In almost every aspect of life and work and thought one may see emerging among these people a more and more collective form of thought, emotion and action, which expresses itself not only in such things as the importance attached to public-opinion polls, but in international and industrial relations, scientific, professional and artistic activities.

ALL these things, abstractly described, reflect, for one thing, a kind of decline in individual creative vitality which would be expected to express

itself not only biologically, in an indifference to the future of the race and a receding birth rate, but also more immediately in a revaluation of individual economic incentives, which is already evident. Clearly the monetary, financial or acquisitive incentives to work, thrift, enterprise, saving, investment and ownership of property—even possession of personal property—which were the main motive power of the economic expansion of the machine age, are evaporating and are being replaced by a kind of collective search for automatic security, which is increasingly thought of in terms of free or effortless consumer satisfactions, and passive spectator pastimes and amusements. The rapid and steady drift toward socialization of finance, production and consumption evident in England, Europe and America, as well as the movement toward international economic and political collectivism, are merely superficial expressions of these changes in the character and motives of the human material in the community.

Bulwer-Lytton, in "The Coming Race," and many others have tried to imagine what kind of men might emerge under these conditions, and usually have suggested that they would be of a much better type; but it remains very doubtful as a purely biological problem whether the human animal can survive at all under them, for some form of competitive effort, some kind of struggle for existence, seems to be necessary for it. At any rate, given these changes, if the peoples of Western Europe and America are not overwhelmed and submerged or absorbed by biologically stronger races whose numbers are multiplying more rapidly and whose vitality is heightened in continued struggle for survival, it seems probable that the most important political problem which may preoccupy the statesmen of these countries will be the problem of human time and activity, of providing occupation and entertainment for the masses—or to put it brutally, the problem of boredom.

There are some signs that this problem is already rising to the surface, in such matters as the implications of the Full Employment Act, and the universal movement toward permanent military training systems at a time when international peace pacts or atomic bombs would seem to make armies unnecessary or meaningless. If these references seem cynical, we should remind ourselves that the pyramids of the Pharaohs and probably most wars have helped many desperate statesmen in ancient and modern times to solve not merely the economic and political problems of unemployment but also its moral and psychological problems.

In the past both religious mysticism and militarism have always served the masses in some measure as a means of compensation or escape, not only from the frustrations of economic difficulties but also from those of boredom and idleness. As the

atomic age emerges, our economic difficulties may disappear from the frame of the future, but we may be sure our psychological and moral ones will not. Though organized religion lost much of its force with the coming of the power machine, the age of alchemy and atomic energy, which is more mystical than religion, is a different matter, and it is not impossible that by a curious reversion men may come increasingly to seek compensation and spiritual security from the frustrations and boredom of a push-button world in the contemplation or pursuit of some hereafter, as they did under the economic hardships of the Middle Ages. Military life may lose much of its appeal as an amusement, pastime or escape mechanism with the coming of permanent peace, or under the menace of the atomic bomb, and in the modern war most men get little chance to fight, anyway; but it may still serve as a disciplinary device or activity program which could help to banish boredom and make work for the masses.

I imagine, however, that whatever the role religion or war may be in meeting this problem, as we come into the age of alchemy, most men in the Western World are likely to exercise their energies increasingly in kinds of collective activity which are centered in that mystical entity we call the State, and which involve pursuit of the satisfactions of political power and prestige or protection. More and more in the modern world of transmutation—of matter into energy and energy into matter—men seem moved as by a powerful and persistent compulsion to dissipate their individuality and shed its burdens, to shun solitude, personal integrity and responsibility, to merge themselves and their minds into some group shape or purpose or concept, to find peace, pleasure or pride by participating or sharing in the sense of effectiveness, importance or safety offered by some collective nirvana or government heaven, however incompetent or clay-footed the political gods who guard it may be at the time. Ever more evidently the individual energies, ambitions, the enterprise, initiative, even the acquisitiveness of the men and women of our time are being diverted, dissipated and carried off in political channels, along the invisible lines of force formed by the magnetic power of the State.

In this father's house, too, there are many mansions, and all manner of men feel that a place is prepared for them in it. It is not too much to say that the new age of alchemy has in essence not only substituted the nuclear energy of the atom for the nuclear energy of the individual man; it has substituted government for God. Though it is not easy yet to understand the transformation, it is perhaps the most important part of the frame of the future, and puts to us what is probably our most difficult and important problem—the problem of human freedom and its meaning in a time when men's life

and work, their ideas, aspirations and action seem everywhere rigidly framed between the inexhaustible atom and the unlimited State, and move between electrons and elections.

IV

THE fundamental fact of our time is the simultaneous release of atomic energy, the transmutation of matter, and the return to unlimited government. This fact presents to us two paradoxes, one immediate and local in its application to America, the other world-wide in its implications.

The first paradox is simply this: No one, in this country at least, is content to justify the World War just ended as having been fought merely for the safety and freedom of the United States. It was fought for human freedom, to release the peoples of Europe and Asia from the tyranny and savagery of the absolute State, embodied in the economic and political institutions, the military power and the imperial ambitions of Nazi Germany, Fascist Italy and Japan. Yet the plain truth is that the idea of unlimited government has emerged as the universal victor in this war in the minds of men everywhere, among conquerors and conquered alike, and it has done so by virtue of the overwhelming power of America, where the age of alchemy has come to fruition in the atomic bomb. The defeat of Germany, the occupation of Japan, the election of a socialist government in England, the conquest of a continent from Calais to Korea by Soviet Russia, and the call for the Full Employment Act in America are coincidences too striking to be explained as historical accidents of the calendar. This is the kind of paradox which William Graham Sumner tried to put and explain in his famous speech in 1898, called "The Conquest of the United States by Spain," which is a pertinent parable for the present, but its implications for the American people today are too wide and deep and dangerous for me to interpret.

I have said that the most important aspect of the age of power machinery born of the steam engine is that it freed men from a society of status, serfdom or slavery, released their individual energies for initiative, enterprise and acquisition of property, and destroyed the power of unlimited government and the superstition of the Supreme State. Representative constitutional government, the Bill of Rights, parliamentary control of the power of the purse were accompaniments and consequences of the first Industrial Revolution. The State did not even try to tax the steam engine, as Faraday suggested it would do to the electric generator, and as it has since done to the gasoline motor. Yet since the power-machine age was so bound to what I have called the coal-iron-gold axis, so dependent upon fixed plant, long-term investment, and skilled urban labor forces, it seems to us now that nothing could have been

easier than for the State to have assumed monopoly ownership or control of the new mechanism of production, and of its workers, or its consumers. Governments did, indeed, continue to struggle among themselves for control of the essential resources, and property owners for control of labor; and that they did not succeed in time may be merely a mistake or an historical accident; but as Professor Beard tells us in his recently revised edition of his book, "The Economic Basis of Politics," so long as private individuals and groups were able to assert or maintain their economic interest or independence as against the supreme political interest or authority of the State, its power was broken or limited.

The paradox that faces us today, in this second Industrial Revolution of the atomic or chemical age, is that a productive system and economic organization so fully fluid, flexible, unlimited, almost without local habitation or name, as we can see in the frame of the future, should not merely have come automatically and unconsciously under complete control of the State, but should have become by common consent or without resistance the instrument of unlimited government power.

Let us make no mistake about this: what we face in the frame of the future industrial picture, in its aspect of men's political institutions and ideas, is the fundamental fact of unlimited government armed with unlimited power—power of production, destruction and compulsion. Today, with unlimited sources of energy and materials a complete and permanent monopoly at the command of the State, one can name or imagine no economic interest, save the universal collective interest of consumption, which individuals or groups can assert or maintain against the political interest of government in the preservation of unlimited power. Certainly it seems inevitable that in such a situation all the former incentives to activity, enterprise, thrift, property ownership must flow in political channels and be assimilated to political purposes which are by definition those of power, prestige, protection and security. Men's ideas, too, must necessarily shape themselves to this paradoxical fact, in terms of compulsory compliance, or voluntary collective cooperation.

In some of the things I have mentioned in discussing the biological aspects of the frame of the future, one can already see this process of reshaping human nature, thought and behavior, proceeding partly by compulsion, partly by voluntary or instinctive participation. Some cynic has pointed out that it will at least be necessary for the Supreme State to keep the taxpayer population alive, at home or abroad, and maintain the reproduction rate of public officials; but except as a matter of sentiment this seems of minor importance in view of the modern monetary alchemy of which government now has a monopoly, or in view of the accounting de-

vices of the International Business Machines Corporation of which it probably will.

What function labor organizations will serve in the atomic age is doubtful, too, and in most countries they have already become a form of government monopoly, operated mainly for purposes of political stage-setting or choral activity. They have long since ceased to be able to assert any real group economic interest as against ownership, which has become more or less nominal in most of industry, except for legal or accounting purposes. Professional management, which has come to personify the modern employer, has become increasingly a branch of official bureaucracy, and where it is not able to cope successfully with labor problems by using less labor as time goes on, it will more and more pass what remains of the buck to government.

Indeed, today, labor-management relations have become a branch of government, but labor organization is less and less willing to assert any effective economic interest or power against the State. As we move into the chemical and atomic technology there will be less and less for labor and management to dispute about anyway, so far as problems of production and wages are concerned. Even in Soviet Russia, still forty years behind us industrially, the position of labor unions tells us all we need to know about that aspect of freedom in the frame of the future. In the early stages of the power-machine age, as I have said, and as Hilaire Belloc indeed thought it did, it would have been easy enough for the State (except for the factor of free land) to have consolidated the feudal system of serfdom and status for industrial workers, if they had wanted it; but now, in the chemical age, when people seem spontaneously to prefer it in its new forms, it is more difficult and complex to manage. In the future, when less and less labor will be necessary, a system of status cannot easily be based on compulsory labor, except for purposes of occupation or discipline, but must be centered in matters of consumption, and depend upon monetary and mental manipulation of the masses. In most countries the idea of a kind of universal labor pool, expressed in the concept of "the labor force" and conscription, has already developed as a result of the war; but the State is concerned increasingly with citizens mainly as consumers, with problems of their consumption and occupation, and with such mechanisms of control as compulsory collective saving, investment and spending. The labor problem, as we knew it, is rapidly becoming an economic problem of distribution and marketing, and a political problem of discipline, ideas and morale.

ALL these conditions are most clearly and definitely expressed in the profound and widespread transmutation that has taken place in men's

attitudes and ideas about the State and its functions and responsibilities in matters both of international relations and domestic economic policy. It is not merely that the idea of unlimited government authority is now universally accepted, but that the concept of unlimited government responsibility is now automatically coupled with it, extending to the most minute matters of personal conduct, as when it seems natural that the President should worry about the way people drive their automobiles on holidays. It is now accepted, almost unconsciously as a matter of course, that this pervasive and unlimited responsibility of political authority is concerned primarily with the collective satisfaction and security of citizens as consumers.

In the new bill of rights which the second Industrial Revolution has brought with it, the right to consume has been added to and put foremost above all other rights, natural or political. Freedom to maintain that right is more important than all other freedoms for the individual, and the responsibility to protect that right precedes or supersedes all other responsibility of the State. Though it is still framed in terms of the machine age as a right to work, which in the atomic age must become more and more meaningless save as a matter of occupational discipline, the proclamation of this right in the Full Employment Act, for the first time since the feudal system was dissolved, is of profound significance for the future. It means not merely that in a new sense the ancient system of status, if not necessarily of serfdom, has returned, but that, for the individual, the moral principle of personal responsibility has been compromised and transmuted or assimilated into a political responsibility of the State.

In the area of international relations this shift in philosophy is reflected in several ways. We see it, of course, in the principle of collective security or responsibility for preservation of peace, though it is not very sincerely or adequately implemented in the Charter. The concept of national sovereignty and independence in international affairs is the counterpart of the social principle of individual responsibility and self-reliance. But modern war is mainly an occupational problem, or one which arises from international economic inequalities or differentials which the emergence of the chemical age has not yet dissolved. So it is in the economic aspect of international affairs that the application of the new principle of collective responsibility appears most important.

The United States has emerged from the war as the most powerful and richest nation in the world because the most productive. By comparison, the war has left all other countries bankrupt, and in the position of parasites or dependents. The internal collectivism of the other victorious Allies cannot sustain itself without international collectivism.

Communism and Socialism outside America are broke, and even the conquered nations, driven back by defeat to a measure of individual responsibility, may prove to be better off.

But in any case it is plain that the United States is the new center of the principle of collective responsibility and must be expected to implement and maintain the new planetary right to consume, as well as that of security. It must be prepared to support, out of its immense productive resources, not only the insolvent collectivisms in the rest of the world, but bear most of the burdens and collective responsibilities of empire and pay the costs of governments of unlimited authority and responsibility for hundreds of millions of people in the conquered areas, whose right to consume, even though on a bare subsistence basis, must be protected.

It is doubtful whether military victories or imperial conquests ever paid out, even in the machine age or before, and it will probably be more expensive to implement the new principle of collective responsibility than it was in the days of imperialistic enterprise and colonial exploitation or pure looting. But the application of the principle in international relations is now in complete accord with universally accepted ideas and attitudes in problems of domestic policy—in fact, a mere expansion of them. It will probably help, on the military side, to diminish the occupational problems of full employment, and on the economic and political side to meet the problem of consumption, for we shall probably continue conscription or some form of military training and service to maintain large administrative and police forces abroad, and a large part of our surplus production will continue to be siphoned off to the conquered nations and the insolvent victors, under some new form of lend-lease or relief or rehabilitation loans.

Unless the atomic age brings an embarrassment of abundance very quickly, or an outburst of push-button war which will obliterate us, we may weary of this process because of its burdens, or because of the bitterness and hatred which unlimited government power and responsibility may bring in the international sphere, but in domestic matters there is no doubt that these ideas are deep seated and widespread. In practically every aspect of internal economic policy—financial, fiscal, monetary, employment, price and wage control—the idea of collective action, usually compulsory, in applying the principle of unlimited government power and responsibility is fully accepted.

THE individual mind which, by the Industrial Revolution, mastered energy, matter and government, has lost control of all of them, and is being replaced by a kind of collective mind, upon which

the individual is dependent and which has become his new master. The very idea of the integrity of the individual has evaporated, like the elements in the atomic series with transmutation. The “categorical imperative” of Immanuel Kant—that sense of the eternal, absolute and unique reality of the individual spirit and its responsibility to itself as the creator of moral and intellectual truth, has dissolved into a collective consciousness, in which all thought and moral standards have become relative to the purpose of the State. It was the famous philosopher of Königsberg who formulated in metaphysical terms the real discovery of the Industrial Revolution, that the true and the good are the creation of the individual human spirit, that the world is the projection of the thought and will of the individual human personality. So it is a somewhat symbolic circumstance that the birthplace of Immanuel Kant has now become part of the Communist State, surrendered in Berlin to Soviet Russia by the peoples of Western Europe and America who lived and wrought by these principles so long.

This means more than a change in a physical or political boundary; it signifies the disappearance of a spiritual frontier in the life of men everywhere. We still try, and probably will for some time, to fit the facts of the atomic age into the intellectual and moral framework of the ideas, aspirations and motives of the machine age; but the alchemy that splits the atom and transmutes the molecule, has already atomized man, and is transforming him into a kind of communal molecule—a mere collective consumer of nuclear energy.

In face of this fact, which seems to me fundamental in the frame of the future, whether we are concerned with the prospective picture in terms of industry, politics, education, social progress or anything else, most of the great issues of the machine age, moral or economic, appear to evaporate. Questions of compulsion *versus* voluntary cooperation, of equality democracy, political freedom, civil liberty and the like seem irrelevant and relative, as monetary, mental and moral values are transvalued. In a sense the change confirms the nihilism of Nietzsche, the German philosopher who made such an uncomfortable bed-fellow for the Nazis, and who said that man himself must be surpassed.

The only question that remains is not philosophical, political, economic or even moral, but biological and spiritual. It still remains to be seen whether or not the new atom around us can destroy the old Adam within us—whether or not human nature can assimilate the age of alchemy and adapt itself to its implications, and man still survive not merely as a species but as a spirit. As someone recently put it rather whimsically: “The atomic age is here to stay; but are we?”

Notes on the Yankee Dollar

By the Editor

BY UNERRING instinct the first impulse of the Labor Party on coming into power in Great Britain was to lay its hands upon the Bank of England, Harold J. Laski saying that unless the government controls money and credit it cannot plan the economy nor be master in its own house. Certainly so. The logic is faultless. By no other means will it be possible to realize the idea that now controls the political mind of the world; *videlicet*, the idea that money shall become a social instrument. The laws that have heretofore governed its use as an economic instrument, such as the law of debit and credit, the law of solvency, the law of redemption—all of these shall be put aside as principles of frustration. In place of them shall be set up the supreme authority of economic policy, on both national and international levels. The aims of economic policy so conceived are generally ideal. The premises are as follows:

Premise I.—Inflation may be continuous and beneficent if only it is administered by means of a monetary mechanism acting on the simple ratchet principle. A ratchet mechanism is that device in which a dog catches itself in a saw-tooth bar or in the cogs of a revolving gear to permit movement in one direction only and prevent it in the other. In this case the movement to be prevented is that of deflation. There is only one way for things to go, and that is up. What is up, or what goes up, must stay up; nothing shall come down.

Premise II.—The stabilizing function will be performed by the American dollar, acting as the dog in the ratchet; and thereby controlled world-wide inflation will be sustained, at least until it can hope to sustain itself, or until a free money economy has been destroyed.

Premise III.—The American dollar is a fabulous thing, issuing upon demand from an inexhaustible source.

Premise IV.—The United States is the great creditor nation of the world, and therefore not only able but morally obliged to put forth its dollars as loans and gifts, and to mind the welfare of debtor nations.

First, Wipe Out \$41 Billions

The premise last stated is the only one of the four that may be examined on the basis of fact. It is widely accepted in this country. If it is wrong,

the consequence of believing it and acting upon it may be very sad.

It is false. The fact is that after having delivered to foreign countries in the last 4½ years goods, services and money to the net amount of more than \$41 billions, none of which will ever come back, this country now, to those same countries, is in a debtor position, owing them billions more. This figure of more than \$41 billions that is to be charged off represents lend-lease and other wartime expenditures in foreign countries. It was arrived at on July 31, last, by Mr. Crowley, head of the Foreign Economic Administration, as follows:

Lend-lease expenditures.....	\$39,000,000,000
Other expenditures.....	11,437,000,000
Total.....	50,437,000,000

Less reverse lend-lease....	\$5,600,000,000
Other repayments.....	3,257,000,000
	8,857,000,000
	8,857,000,000

Net national expenditures in foreign countries during 4½ years.....	\$41,580,000,000
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All of this—or practically all of it—is to be wiped out. It has no place in the international balance sheet. The dollar sign is there as a symbol only, or as a mental convenience. Having erased the sum of more than \$41 billions, you may turn then to the international account at the point where debit and credit begin again, with dollars payable and receivable in the ordinary meaning of such things.

Then Calculate Our Debtor Position

What is the state of the account at that point—the account as between the United States and the rest of the world in dollars?

In its account with foreign countries the United States had already lost its creditor position in the year 1944; it had become a debtor, owing more to others than others owed to it. Long-term investments of American money abroad had been shrinking for several years. Long-term investments of foreign money in the United States during the same time had been increasing. But the sudden change in this country's position from creditor to debtor in 1944 was caused by an unnatural increase of foreign assets here in current and liquid forms, principally bank balances payable on demand. This increase of liquid foreign assets here, constituting a liability to pay dollars on demand, was enough to overcome a balance in our favor on account of long-

term investment abroad. And so the picture at the end of 1944 was like this:

<i>Millions of Dollars</i>	
Foreign assets here in the form of long-term investments.....	6,200
American assets abroad in the form of long-term investments.....	10,600
Balance in favor of this country....	4,400
Foreign assets here in liquid form, <i>i.e.</i> , dollars payable on demand.....	6,100
American assets abroad in liquid form...	500
Balance in favor of foreign countries.	5,600
Net indebtedness of United States, taking long-term investments and liquid assets together..	1,200

That is to say, under the head of long-term investments this country was creditor to the amount of \$4,400 millions, but on short-term account it was debtor in the amount of \$5,600 millions, wherefore on total account it was debtor in the amount of the difference, which was \$1,200 millions, at the end of 1944, according to the figures of the United States Department of Commerce.

In the calculations that follow, the figures to represent long-term investments—both (a) American long-term investments in foreign countries, and (b) the long-term investments of foreign countries in the United States—are excluded. This is done for several reasons. Firstly, in the present state of the world, long-term American investments in foreign countries cannot be intelligently valued. No one knows what would happen, for example, if the furore to socialize means of production should continue to widen, especially in Europe. Secondly, we probably could not liquidate them to pay our current dollar debts if we wanted to, and if we should try to do it, values undoubtedly would greatly decline. Thirdly, the crucial matters in a balance sheet are current assets and current liabilities, that is to say, in this case, dollars payable on demand to foreign countries against dollars receivable on demand from foreign countries.

So we begin with the figures provided by the Department of Commerce at the end of 1944 showing that dollars payable on demand to foreign countries, principally in the form of bank deposits here, were \$6,100 millions, as against only \$500 millions payable to us on demand by foreign countries. Our net current dollar debt to the world, therefore, was the difference of \$5,600 billions.

This debt has been increasing, because foreign bank deposits here have been rising; and there is the probability, besides, that the figures were never complete. Chester Bowles, head of the OPA, speaking on the postwar buying power of "our allies," recently said: "They will be in our markets very soon to get these things and they have \$12 billion balance—\$12 billion of cash—over and above the billions more they can borrow here, with which to pay for them."

He is, of course, enthusiastic. In his \$12 billions there must be some "earmarked" gold, which does not count one way or the other in these calculations because it is here only for safekeeping, stored in vaults, and never did belong to us. Harry White, of the United States Treasury, has said that Great Britain alone has bank balances here of \$3½ billions; it is estimated that Latin American countries have balances here of at least \$3 billions; France says her balances in the United States, which were frozen during the war, amount to more than \$1½ billions, and the balances here belonging to Switzerland, Belgium, Holland, and Sweden have been estimated at \$2 billions. But such estimates as these have no statistical validity. There is really no firm round figure to express the total. The government itself with all its expert resources probably would be unable to construct such a figure. The best one may do, therefore, is to take the Department of Commerce figure as it was at the end of 1944 and add to that at least \$500 millions to represent the average rate of the reported increase during the last two years. By doing this you arrive at approximately \$6 billions as the net amount of dollars owing to foreign countries, payable on demand.

Owing \$20 Billions

But this is a point of departure only. You have to add our further commitments. Under the head of further commitments there are relief expenditures by the Army, relief by the UNRRA, continued obligations growing out of lend-lease, our subscription to the International Monetary Fund, our subscription to International Bank, and the foreign loans to which the government's Export-Import Bank is committed and for which appropriations have already been made. When you have made these additions, you get a picture like this:

<i>Millions of Dollars</i>	
Net indebtedness of this country on open account; <i>i.e.</i> , dollars payable on demand	6,100
Further commitments:	
United States subscription to International Fund.....	2,750
United States subscription to International Bank.....	3,175
Loans by Export-Import Bank.....	3,500
(1) Relief by Army.....	1,000
(2) Relief by UNRRA.....	1,350
(3) Lend-lease—its liquidation and conversion.....	2,000
	13,775
Total.....	19,875

(1) This is an estimate presented in debate by Senator Taft. It was not challenged.

(2) This figure may have to be doubled. So far, \$1,350 millions have been pledged; but Mr. Lehman,

So it stood, at the middle of this year that the American indebtedness to the world on account (a) of foreign balances payable in dollars on demand, and on account (b) of further commitments to provide dollars, was approximately \$20 billions. The great creditor nation of the world turns out to be the magnificent debtor.

Add the Moral Obligations

But the picture is by no means finished. There is, furthermore, a category of moral obligations. Certainly we are morally obliged to restore the economy of the Philippines. What figure will you set down for that? There is a moral obligation to underwrite the restoration of the Chinese economy. We shall undoubtedly have to lend China the money with which to pay her subscriptions to the International Fund and the International Bank. We have undertaken to protect the economies of Latin American countries against sudden deflation when they are cut off from the flow of war dollars, and this will entail probably some very large loans, besides an outlay of dollars on a stock pile of Latin American products.

Lastly, and most important of all, there is the necessity, both moral and political, to act upon the plight of Great Britain. The argument that the

Director General of the UNRRA, says that \$1,350 millions more will be needed for one years' relief.

(3) This item requires discussion. In June, the Foreign Economic Administrator, Mr. Crowley, told the Senate Committee on Banking and Currency that aid to the amount of \$4,400 millions would be delivered to foreign countries during the next twelve months. The money was appropriated. The understanding was that the commitments had already been made, some of them under very liberal interpretations of what could be considered vital to the defense of the United States. One was a commitment of a billion dollars to Russia out of that fund, besides another billion out of the funds of the Export-Import Bank. Then on August 30 it was announced that lend-lease was discontinued. What part of the \$4,400 millions had by that time been committed beyond recall is unknown. It was announced at the same time that the beneficiaries of lend-lease, especially Great Britain, would not be cut off, really. American assistance was still open to them, but they could no longer expect to receive it for nothing. They would have to make financial arrangements, such as loans for long periods at low rates of interest. Apparently what now will happen is that the aid will go forward, perhaps to the full amount of \$4,400 millions, but after a certain date the receiving countries will be charged for it. Thus it takes the form of lending, instead of giving or pooling. Even so, it is only the form of the obligation that is changed; the dollar liability remains, in so far as we are now obligated to make the loans. However, in the table above the lend-lease liability is cut from \$4,400 millions to \$2,000 millions, which is perhaps extremely conservative.

United States must assist Great Britain to recover her solvency rests upon three grounds, namely: first, the ground that equality of sacrifice, as a moral formula, requires us to do it; second, the ground that it is not for Great Britain alone but for the sake of ourselves and the world at large that we should do it, as an investment in universal welfare; and, third, the ground that if we fail the British will be obliged to maintain against us their sterling bloc, which would be very bad for a free and unlimited expansion of world trade. The amount of assistance needed is variably estimated at from \$3 billions to \$6 billions.

Great Britain's crucial problem is what to do with the blocked sterling balances in London. These are bank deposits that belong to India, to Egypt, to members of the British Commonwealth, and to foreign countries. They amount to at least \$12 billions, and they are payable on demand. But Great Britain cannot pay them on demand. She must find a way to postpone payment, either by funding them over a period of years at a low rate of interest or by some other unthought-of arrangement, or confess bankruptcy. And the position she takes is that if Britain's financial house is permitted to fall there will be a world-wide crash of money structures. To prevent this, if possible, is therefore the first of the moral obligations to be assumed in the United States.

Sustaining the World

In view of all this, what figure may one put down to represent this country's indebtedness to the world under the head of moral obligations? Let it be \$5 billions. Then if you add that to the figure of \$20 billions already ascertained—this \$20 billions representing dollars in open account payable on demand and further dollar commitments already made—you arrive at the fact that our present dollar liability to the world is something of the order of \$25 billions.

One contingent moral obligation not elsewhere mentioned is to provide in this country a market for the securities that will be guaranteed by the International Bank. If you assume, as many do, that practically all of these securities will be sold in the United States, for want of a better market or any other market that could absorb them, then you add \$6 billions more.

Moral obligations do not arrange themselves in a table. They are nevertheless real and probably continuing. This country may find itself in a position where it must either continue to lend billions or break the world. You cannot undertake to uphold the economic structures of other countries with dollars and then suddenly cut them off. For two reasons you cannot cut them off. One is that it would be too cruel. The other is that the economic structure of the lending country comes at length to be so involved with the economic structures of the bor-

rowing countries that its own will suffer disaster if the others fall. On a much smaller scale, that is what happened after World War I. So long as enough dollars went forth to Europe, there was an era of world-wide prosperity; and nobody was going to have to pay for the war. But when the tide of dollars began to ebb the economic structures began to crash and the war was paid for in the great depression.

What Are These Dollars?

Where do dollars come from? By what process are they infinitely created? By what method, if any, are these multiples billions brought into scale with reality?

The answer may be found in the pages of the *Congressional Record* by anyone who will take the trouble to read there the debate on the Bretton Woods Agreements. Where do dollars come from? From the same place whence ideas come, and out of the same mist. They are made visible to the imagination first by pencil marks on government scratch pads; the process of giving them palpability belongs to the art of engraving and printing, and as for any measurement with reality, a dollar is a dollar and therefore real in itself, the finest money in the world, immortal. Moreover, you ought not to ask, for it rests finally upon faith—faith in others, faith in mankind, faith in ourselves.

The significance of the debate lay in the fact that it was wholly unnecessary. Regarded as an act of parliamentary deliberation, it had no meaning whatever. Senator Taft took the Bretton Woods Agreement apart. By analysis, by simple reasoning, by the grammar of the text, he proved that they would not, could not, and were really not intended, to create the conditions which the American people had been led to believe would be cheap at \$6 billions. Specifically, they would neither stabilize international exchange nor free international trade from restrictive and discriminatory practices. But as he did this he knew that he was not changing a single vote; the votes were already fixed beyond argument. He was answered by such as Senator Fulbright, saying:

"The Senator from Ohio asks us to disregard the testimony of the experts who appeared before the committee or expressed their opinions by letter or through the press. He asks us to study the proposals and make up our minds independently of the experts. Obviously, this unusual request arises from the fact that the preponderance of the testimony is in favor of our acceptance of the proposals."

Senator Barkley said:

"In a matter of this kind we must trust those who are familiar with it and have studied the conditions which we are attempting to cure. . . . It is such a technical and complicated subject that I would not guarantee

that all the members of the Senate understand it. I would not underwrite my own understanding of all of it."

Senator Tunnell said:

"We have some of the finest financial brains of the world behind this plan. Men who really now what this means testified before the committee."

Those who took the position in both the House and the Senate that Congress ought not to meddle with the work of the experts because only such as possessed specialized knowledge could comprehend the meaning of it, advanced also the argument that Congress was obliged to accept it because so many people were for it. Senator Wagner read into the *Record* a long list of the organizations that were demanding an affirmative vote immediately—business associations, labor unions, committees representing the arts and sciences, churches, farm bureaus, welfare societies, women's clubs, the Greenwich Action Committee, Servicemen's Wives for Democratic Action, the League of Women Shoppers, the Political Action Committee of the CIO, the Bretton Woods Committee of Illinois, the Parents Association of Brooklyn School 234, and so on and on.

But here was a contradiction. On one hand the argument that Congress must accept on trust a world monetary scheme which only experts could be expected to comprehend, and on the other hand the argument that what must be accepted was a popular judgment on the experts' plan. If the Congress could not understand it, what of the Brooklyn Parents, the Fur Dressers and Dyers of New York and the Saw and File Workers of Philadelphia?

Government by Propaganda

At this point Senator Taft digressed to put in the *Record* an exposition of what may be called a new technique of executive government, whereby resistance in Congress to anything it wants is softened and intimidated. (Mr. Taft's discussion of this technique will be found elsewhere in these pages.) What happened was that the government employed its unlimited resources of propaganda to create in the country a clamorous popular emotion in favor of the Bretton Woods Agreements. This campaign was led by the Treasury, other departments assisting, and even the pulpit was mobilized. The appeal was to feeling, not judgment; and if dollars were mentioned at all, it was only to ask: "Suppose it does cost six billions? That is only two per cent of what this war has already cost us. Six billions as an investment in world peace and international brotherhood! Who would say we cannot afford it?"

And it worked. Members of Congress received thousands of telegrams and letters repeating the

words of this government propaganda. Thus, executive government itself becomes a pressure group, first to create emotional public opinion for its ends, secondly to organize it, and then to bring it to bear upon Congress. What at last made the great "yes" vote for the Bretton Woods Agreements—345 to 18 in the House, 61 to 16 in the Senate—was the feeling: "We cannot disappoint the people."

Senator Downey said:

"I do not imagine that one citizen out of one hundred possesses accurate or detailed knowledge of the Bretton Woods proposal. But to millions it has come, nevertheless, to represent a symbol of our sincerity. Destruction of it or injury to that symbol would be a brutal blow to the morale of the world."

Senator Tobey said:

"There is a deep feeling that something must be done in the world. The nations need each other as never before. They are yearning and they are hungering for a fellowing among the nations. So far as I am concerned, we are going to give it to them."

Senator Radcliffe said:

"It would be better that some mistakes or failures occur or that some money apparently be wasted than that the world disregard this strategic moment for international cooperation. All the psychology at the moment is for action now."

The following colloquy occurred in the Senate:

MR. MURDOCK—"Does not the Senator feel that the Bretton Woods Agreement works hand in glove with the United Nations Charter signed at San Francisco?"

MR. TUTTLE—"Unquestionably. Yesterday in one of the newspapers I saw a cartoon which pictured a man with his trousers off. That man, of course, represented the World Charter. And the trousers were the Bretton Woods Agreements. They were being handed to him to put on."

Senator Willis said:

"We have invested astronomical sums to win this war and therefore I cannot look upon the sum we are called upon to invest here other than as a relatively small pledge. . . . I am going to vote for this proposal because it represents another step toward a just and lasting peace. I will cast my vote in the hope and in the prayer that men will be different in the future."

The mind of the Senate was so far above the vulgar meaning of dollars that when the voice of Senator Taft was heard saying, coldly,—

"I am in favor of international collaboration but when we consider the economic field we must look out for our own interests because no one else will do that for us"—it made a sense of scandal in the chamber. And when he offered an amendment saying simply that no country should have access to the international money pool until it had discontinued its restrictions

upon the free exchange of goods, it was promptly voted down. Did the Senator mean to suggest that other nations were not going to keep faith? Would he lay the foundations of a new world with the mortar of suspicion? He replied that it was not a matter of faith; it was a matter of the text, for whereas in the preamble of the agreements the intention to release international trade from the restrictions that had almost ruined it was nobly asserted, still in the fine print of the document each nation reserved the right to continue such restrictions for so long as it might deem necessary, and the right also to debase its own currency to relieve itself of burdensome debt. In the House of Representatives Mr. Wolcott said:

"As was stated by an outstanding columnist the other day, everyone is in favor of this bill except those who would vote against the Ten Commandments as a part of our national policy."

Mr. Spence said:

"I have never seen in my experience with Congress such unanimity of opinion in favor of legislation by all classes of the American people. They do not have to be experts, they do not have to be technicians or bankers to express their opinions upon this measure. If the voice of the people is the voice of God, we certainly have irrefutable testimony in behalf of this legislation."

Mr. Patman said:

"This is a bill to regulate selfishness and restrain greed among the nations of the world."

Throughout the debate there was one refrain. Only two organized forces, one sinister and one blinded by folly, were standing in opposition; namely, the bankers and the isolationists.

As for the bankers, their opposition in the end collapsed. And when Mr. Burgess, head of the American Bankers Association, on his last appearance before the Senate Committee was asked why, he said: "Well we thought we ought to do the best we could because we found that the country was pathologically international."

Commenting on this, Mr. Taft said:

"The country is pathologically international because of the propaganda put out by the State and Treasury departments. If a thing is only claimed to be international, people have been taught to believe it must be something for the benefit of the world."

To this, Senator Barkley replied:

"When Mr. Burgess came before our committee two or three weeks ago I think I asked him the question myself about the modification of the position of the American Bankers Association, and he did not, as I recall it, say it was on account of any propaganda of the Treasury or State departments, but he did say that the United States was pathologically international and in-

timated that from a purely pathological standpoint he himself was, but that he was representing an organization that was not particularly pathological, so he was laboring under some embarrassment."

Political Loans by Bureaus

The government's Export-Import Bank was drawn into the debate because there was pending at the same time a bill to increase its lending power five-fold. This bank was formed in 1934 to make loans in behalf of American foreign trade, principally with Latin America. Its original capital was \$11 millions. This was increased successively as follows: in 1939 to \$100 millions; in March, 1940, to \$200 millions; in September, 1940, to \$700 millions; and now it was going to be increased suddenly to \$3½ billions for the purpose of making loans to foreign countries. On this, Mr. Taft made the following statement:

"The point I want to make above everything is that this International Fund will not accomplish any of these purposes, and the fact that the Fund and Bank are not going to accomplish these emergency purposes is shown by the action of the Administration in bringing forward the Export-Import Bank bill, which was before the Banking and Currency Committee this morning, when Mr. Crowley testified that he wants the capital of that bank increased from \$700 million to \$3,500 millions. Why? Because, he says, he needs the \$2,800,000,000 additional during the next twelve months, if you please, to really try to solve the problems of Europe, and he admitted in effect that of the \$2,800,000,000 that is sought approximately a billion dollars is going to Russia in the form of a direct loan. Since our lend-lease is coming to an end, he testified that we must somehow find a way to make additional loans to Russia. He testified that there would be left \$1,800,000,000 to loan to the other European nations, and maybe a hundred million dollars or so to South America."

Mr. Taft was not opposed to foreign loans. He was for them, in fact, and for very large loans, because he believed they were necessary. But he wanted them to be definitely purposeful. What he denounced was blind lending, and the spectacle of the United States throwing away its political bargaining power with the world along with its millions.

"We shall soon attend a peace conference," he said, "where we shall want both Russia and England to agree to certain terms. At that conference there will be many disputes and the power of the United States could undoubtedly be invoked to bring about better conditions in the world. Why not hold out this proposed contribution of \$6 billion as a bargaining weapon in the final settlement with other nations? If we agree to the proposal now we surrender \$6 billion. It will no longer be a factor in bargaining of any kind."

Therefore, he moved to postpone the act of putting \$6 billions into an international money pool. Again the Senate voted him down.

He asked the Senate to consider the danger and wrongness of permitting executive bureaus of gov-

ernment in their own discretion to lend billions of American money to foreign countries. Besides the fact that a loan to a foreign country is a political matter, the Senate might consider the possibility that these American billions would have the effect of enabling foreign countries to maintain and extend their military establishments, using for that purpose not the American billions directly, but such of their own resources as were released by the American billions.

But the Senate would not listen. It had a single anxiety. That was to have a \$10-billion pair of pants ready for the United Nations Charter in order to spare it the embarrassment of going to Potsdam naked. Then the President of the United States could say, "See what we have done to prove our good faith."

Who will pay for the pants? How will the government raise the money? First, it will put in some gold, and we have the gold; for the rest it will issue bonds and print dollars against them.

So one may see where dollars come from and how they are made; and one may see, too, how it happens that this, the richest and most productive country, comes to be also the great debtor, owing billions to the world. Everyone of these dollars must some day be redeemed; every paper one of them is a claim for a dollar's worth of American wealth that has yet to be produced.

Mr. Hoover's Testimony

As the only surviving member of the War Debt Funding Commission after World War I, and as the man who was President when the debtor countries of Europe, under the leadership of Great Britain, were repudiating their obligations to the United States Treasury, Mr. Hoover is the principal living authority in these matters. In a recent speech on the behavior of debtor nations owing more than they like to pay and the injury that extravagant American lending may do to international amity, he said:

"The question of who saved whom enters into these postwar financial transactions with great force. Nor is this history confined to the aftermath of the last war. As late as three weeks ago the former Prime Minister of Great Britain, protesting against our stoppage of lend-lease, accused us of a rough and harsh manner to a faithful ally who held the fort alone for two years. And propaganda has again begun that we are delinquent in our contributions to World War II, although we have spent far more per capita and incurred more casualties than any other ally.

"But aside from these emotional questions there is an economic question of first importance involved in the lending and repayment of these great sums between governments. Outside of some proportionately small movement of gold and services, these sums must in the end be translated into movement of commodities. Whatever we may loan in the future will in reality be goods. Whatever we get back will be goods. . . .

"The economic reality is that the volume of goods

we could supply, and the volume of goods we could absorb in turn, are so much less than the movement which these gigantic sums imply that we simply cannot be repaid in full, tariff or no tariff.

"I might also emphasize that advances of money or credit by our government did not seem to stimulate international good will. Our greatest failure was Italy where our government made over a billion of war loans and 800 million of postwar loans for reconstruction. She repaid less than 4% of the reconstruction loans alone and ultimately declared war on us.

"All this experience with emotional and moral coloring and economics certainly should be of some guidance, as human nature is still about the same. There are two positive lessons from all this.

"First: When our government postwar loans exceed a few tens of millions they are going to be only partly repaid at best.

"Second: Lending money is a poor road to international friendship.

"Despite all this there is one overriding necessity. We

want our allies to recover. We want within our capacities to help them. Europe is much more greatly impoverished by this war than the last one. But Europe should not ignore the fact that we also are far more greatly impoverished by this war than the last one. American recovery and financial stability is the first need of the world. Unless we recover, no one will recover. There is a limit to the aid 30 million American families can give to the 300 million families abroad who are hoping for our postwar help. . . .

"We have already pledged billions of postwar aid to foreign countries through the International Bank, the Stabilization Fund and the Export-Import Bank. We have rightly assumed great burdens to feed the hungry all over the world through UNRRA. Even if all these already made postwar commitments are assumed to be repayable, yet our government will have to increase our national debt by borrowing from the American people by just that much. That limits our own capital for conversion and puts that much more strain on our governmental financial structure."

Exporting Our Unemployment

SINCE the major economic problem of the United States is to find effective demand for all the goods and services that can be produced, there is an obvious case for disposing of some of them overseas on credit. But if there was a shortage of dollars before the war, in spite of a small import surplus, how can a shortage be avoided with a large export surplus? The solution of this dilemma is provided in American thinking, by lending. Instead of calling capital home to the tune of several hundreds of millions of dollars a year, as in the late 1930's, there are to be loans from the United States to the outside world of several billions a year. In this way the compass will be boxed; America can sell more than she buys; full employment will be assured inside the country without bringing about a shortage of dollars elsewhere; and everybody will be pleased.

This doctrine enjoys astonishingly widespread popularity in America, and even those who see the problem of the dollar most clearly, such as the technicians of the Department of Commerce, are apparently loth to disturb the general confident belief in the efficacy of international lending. Yet the theory has obvious defects, of which a few may be listed:

1. The sums mentioned are very large. The largest amount ever hitherto lent by the United States on long term in a single year in peacetime was \$1,310 million in 1928, and this figure was achieved only, as is notorious, by pouring money into Central Europe and South America on terms that would not bear examination. Where are credit-worthy borrowers to be found for \$2 or \$3 billion a year, especially when it is borne in mind that a credit-worthy international borrower is one who will be able to earn the dollars to repay?

2. If lending means lending, interest and sinking fund payments have to be provided for. If the export surplus is to be maintained, the second year's loans will have to cover the service on the first year's loans and so forth. In other words, the annual loans would have to increase in geometrical progression. Clearly, loans will support an export surplus only for a very few years, even if credit-worthy borrowers can be found initially.

3. Those Americans who have thought about the subject realize this difficulty and suggest that neither interest nor repayment will really be expected. But this raises further problems. If they are loans in form, but default is expected, an unpleasant onus is thrust on the honest borrower. Moreover, can it really be supposed that the processes of making new loans and of defaulting on old ones would go on simultaneously? Surely each round of defaults would lead to at least temporary suspension of the lending process. If, on the other hand, the dollars are made available openly as gifts (which seems politically unlikely, to say the least), how would they differ from an ordinary export subsidy? . . .

It can be stated with some assurance that the problem of the dollar will not be solved until an American import surplus is within sight. At the moment, it is clearly not in prospect. Indeed, there is no pressure that way. . . . Indeed, the old protectionist instincts are now most powerfully reinforced by the new doctrine of full employment. To maintain prosperity in the United States, the export surplus should be as large as possible. It represents a method of "exporting unemployment," and the employment planners propose to call it to their aid to the tune of \$2 or \$3 billion. Moreover, for full employment purposes it is precisely the export surplus, not the absolute total of exports, that counts. If exports create employment without using up any American income, imports use up income without creating employment.—*The Economist*.

Reconversion—*After World War I*

From the Message of President Woodrow Wilson to the Congress on Dec. 2, 1918



“SO FAR as our domestic affairs are concerned the problem of our return to peace is a problem of economic and industrial readjustment.

“Our people do not wait to be coached and led. They know their own business, are quick and resourceful at every readjustment, definite in purpose and self-reliant in action. Any leading strings we might seek to put them in would become hopelessly tangled because they would pay no attention to them and go their own way. All that we can do as their legislative and executive servants is to mediate the process of change here, there and elsewhere as we may.

“I have heard much counsel as to the plans that should be forced and personally conducted to a happy consummation, but from no quarter have I seen any general scheme of ‘reconstruction’ emerge which I thought it likely we could force our spirited businessmen and self-reliant laborers to accept with due pliancy and obedience.

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

“Never before have there been agencies in existence in this country which knew so much of the field of supply, of labor, and of industry, as the War Industries Board, the War Trade Board, the Labor Department, the Food Administration, and the Fuel Administration have known. It has been the policy of the Executive, therefore, since the Armistice was assured to put the knowledge of these bodies at the disposal of the businessmen of the country and to offer them intelligent mediation at every point and in every matter where it was desired.

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



Reconversion—After World War II

From the Message of President Truman to the Congress on Sept. 6, 1945

THE Congress reconvenes at a time of great emergency.

"Government agencies for some time have been able to plan for the immediate and long-range steps which have now been taken.

"The following policies have been laid down:

"Hold the line on prices and rents until fair competition can operate to prevent inflation and undue hardships on the consumer.

"Holds wages in line where their increase would cause inflationary price rises.

"Keep only those controls which are necessary to help reconversion and expansion.

"Prevent rapid decrease of wage incomes and purchasing power.

" . . . arrangements for credit facilities for industry.

"A vast backlog of orders may soon make possible the greatest peacetime industrial activity that we have ever seen. But this can happen only if the Congress and the Administration move vigorously and courageously to deal with the economic problems which peace has created.

"During this emergency every eligible worker should be entitled to twenty-six weeks of unemployment benefits.

"Increase the unemployment allowance for veterans.

"Amend the Fair Labor Standards Act by substantially increasing the minimum wage.

"I request that Congress extend the provisions of the Second War Powers Act. . . . The Congress has my definite assurance that none of these war powers will be exercised . . . unless they are deemed essential to an orderly, stabilized conversion.

"Businessmen would be assisted greatly by knowing in advance whether or not the government is going to keep a firm hand at the brakes to prevent inflation.

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

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

"Assistance should be given to small businesses to enable them to obtain adequate materials, private financing, technological improvements, and surplus property.

"To provide jobs we must look first and foremost to private enterprise. . . . But it is clear that confidence will be promoted by certain assurances given by the government. I ask that full employment legislation to provide these vital assurances be speedily enacted.

"The government now must be prepared to carry out the nation's responsibility to aid farmers in making their necessary readjustments.

"In most cases it is now impossible for private enterprise to contemplate rebuilding slum areas without public assistance. . . . The time has come for the government to undertake a program of federal aid.

"We know that by the investment of federal funds we can, within the limits of our own nation, provide our citizens new frontiers. We have before us the example of the Tennessee Valley Authority. We have programs for the regional development of the Columbia River in the great Northwest, the Missouri River, the Central Valley of California, and the Arkansas River.

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

"I recommend that the Congress give early consideration to grants for such public works, under conditions that will insure that each level of government, federal, state, and local, shall make its appropriate contribution.

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

"I shall shortly communicate with the Congress recommending a national health program to provide adequate medical care for all Americans and to protect them from financial loss or hardships resulting from illness or accident.

"I shall also communicate with the Congress with respect to expanding our social security system."

The Detroit Formula

In the words of R. J. Thomas, President, and Walter P. Reuther, Vice President, of the United Automobile Workers-CIO, and from the union's letter to the General Motors Corporation.

Grounds and Premises

Our real ills lie deeper, temporarily forgotten during an ersatz wartime prosperity, but arising now to plague us again. We suffer, to put it briefly, from what Thorstein Veblen called "the inordinate productivity of the machine."—*Reuther.*

Our productive genius has always been stalemated by our failure at the distributive end. We have found it impossible to sustain a mass purchasing power capable of providing a stable market for the products of a twentieth century technology.—*Reuther.*

The war has demonstrated to the American people that full employment is possible. They will not readily be convinced by conservative economic theorists that a return to peace must mean a return to a normal float of unemployed and no help wanted.—*Reuther.*

Our dilemma cannot be solved by hymns to free enterprise.—*Reuther.*

The chief intent of our national policies during transition must be not merely to cushion the change-over to supposed normal ways of doing business but rather to remedy the central flaw of our economy, wiping out the fitful succession of boom and bust, feast and famine, and providing stable mass distribution of the goods and services made available by mass production.—*Reuther.*

Any program designed to accomplish this end will require action along two lines: full use of our industrial plant, and, secondly, a wage-price policy capable of creating and maintaining an effective demand for the products of that plant and capacity output.—*Reuther.*

Existence of a vast industrial empire of government-owned war plants, most of them adaptable to peacetime production, serves to dramatize, to focus more sharply than ever, the dilemma of American capitalism.—*Reuther.*

Physical plant and technical skill will avail us little if the complex process of production and distribution is impeded by an inequitable and unrealistic

policy regarding prices and wages. The chief objective of that policy must be a general rise in the wage level without a concomitant rise in the price level.—*Reuther.*

As to what J. A. Krug of the War Production Board has called "the natural resilience of the economy," there is good reason to assert that, left to its own devices, it would be unequal to the task of converting another boom, if one arises, into continuing prosperity.—*Reuther.*

Safeguarding the Whole Economy

Our wage proposal is geared to the need of protecting the economy against the dual threat of deflation and inflation; deflation because of mass unemployment and a drastic drop in take-home pay, and inflation in the form of runaway prices and swollen corporation profits.—*Letter to General Motors Corporation.*

Our present demand for a reopening of the wage issue is occasioned by the need for making certain basic wage adjustments immediately if we are to cushion the economy against the awful impact of wholesale contract termination.—*Letter to General Motors Corporation.*

We are vitally concerned that peace must not be a harbinger of want and despair.—*Letter to General Motors Corporation.*

We oppose the special-interest, pressure-group approach of "Let's get ours and the public be damned."—*Letter to General Motors Corporation.*

If the right answer is too long delayed Willow Run and the other giant plants of World War II will stand idle as rotten monuments to our fear of abundance—but our free way of life may well lie in ruins around them.—*Reuther.*

There are two other main items in a desirable wage policy: industry-wide wage agreements based on the principle of equal pay for equal work regardless of geographical areas, and the introduction of guaranteed annual-wage systems through collective

bargaining. The first will protect labor from exploitation as a pawn in the competitive struggle; the second will place responsibility for continuity of employment where it belongs—with employers—and will minimize the need for government intervention.—*Reuther.*

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Will industry, following the most respectable economic theory, pass on to labor its just share of the benefits of technical progress in the form of higher wages and seek its profits in capacity production for an expanded market?—*Reuther.*

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Striking Hands with Government

On August 16, President Truman announced a change in the national wage policy. His six-point labor policy in the reconversion period provides for the restoration of free collective bargaining, under which it is permissible to make general wage adjustments, provided that such adjustments do not necessitate any increase in prices. With this policy we in the UAW-CIO are in hearty accord.—*Letter to General Motors Corporation.*

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Our proposal for maintaining high labor income without any increase in price is imperative if we are to achieve an economy of full consumption. This is in keeping with the economic and human objectives which have been stated and restated by the Roosevelt and Truman administrations. There is no other road to jobs for all Americans.—*Letter to General Motors Corporation.*

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We have maintained all along that the public interest demands effective, stringent price control.—*Letter to General Motors Corporation.*

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Congress apparently intends to ignore the sound recommendations for action contained in President Truman's recent message.—*Reuther.*

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If private enterprise wants to stay private it has to stay enterprising. If it won't accept a continuing commitment to employ, the government will have to move in.—*Reuther.*

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Strategy and Tactics

The union is not interested in putting any automobile manufacturer out of business, but we do demand that the great war profits made by the industry be used to create full employment.—*Thomas.*

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Instead of fighting the industry as a whole with strikes in a number of companies at the same time

the UAW will take on one company at a time. This is known as a concentration of your fire power.—*Thomas.*

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The profit and reserve position of the General Motors Corporation provides ample margin for absorption of this adjustment, (a 30% increase in the hourly wage), without necessitating any price increase.—*Letter to General Motors Corporation.*

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The General Motors Corporation will have no financial difficulty in meeting the demands contained in this letter. It has done very well for itself since it has had Uncle Sam as its principal customer.—*Letter to General Motors Corporation.*

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We recognize that temporarily the corporation will be confronted with relatively low profits, while it is engaged in reconversion preparatory to high production of automobiles. But the corporation is handsomely provided with reserves and government income insurance to carry it through this period.—*Letter to General Motors Corporation.*

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We are advised that the corporation anticipates a 50% increase in its postwar automotive production over the prewar peak. This increased volume means further savings in unit costs, which drops significantly as volume increases.—*Letter to General Motors Corporation.*

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These economies are further enhanced by the increase of new machine tools and plant facilities which were obtained from Uncle Sam in large volume during the war.—*Letter to General Motors Corporation.*

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The corporation well knows that for years we have urged industry-wide treatment of wage problems. In the event that the General Motors Corporation will give leadership to insure the convening of such a conference of the automotive and allied industries immediately, we agree to waive direct negotiation with the General Motors Corporation in lieu of industry-wide negotiations.—*Letter to General Motors Corporation.*

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Labor doesn't do business in the old-fashioned way any more.—*George F. Addes, Secretary-treasurer of the UAW-CIO.*

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The automotive industry and not the union is on strike. The cutting of wages and provoking of grievances is aimed at getting the union to strike at this time.—*Thomas.*

The Right to a Job

A considerable segment of American business has endorsed the Full Employment Bill. This thoughtful statement made by Ralph E. Flanders before the Senate Banking and Currency Committee is selected to represent that point of view. Mr. Flanders is President of the Federal Reserve Bank of Boston and Chairman of the Research Committee of the Committee for Economic Development. His direct relation to industry is that of machine tool builder. In the opposite conviction no voice is more vigilant and uncompromising than that of H. W. Prentis, Jr., who is an important and very well-known industrialist. The following statement of his point of view is from an address recently delivered before the Advisory Committee of the National Association of Manufacturers on the Pacific Coast. The purpose of presenting Mr. Flanders and Mr. Prentis together is to indicate the schism that now exists in what by habit we continue to call the mind of American Business.—EDITOR.

Ralph E. Flanders

YOU ask first my views on the declaration that "all Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment."

This right to a job is a right which I myself have come, after much thought, to accept as an objective which our society may attain. Like all rights, it carries with it duties which are an indissoluble part of it. It cannot be intelligently discussed or made effective without the acceptance of those duties.

In this respect, it is like the rights detailed in the Bill of Rights in the Constitution. For instance, the guarantees of free speech and freedom of assembly are of no effect unless the citizens who assert these liberties are prepared to resist those who seek to restrain their exercise of them. That duty to resist extends even to suffering wounds and death. This was the extent to which our duties were carried in the War of the Revolution and to which, in the American view of the conflict, they have been carried in this Second World War.

With regard to the right to a job, the corresponding duty of the individual is to be productive, self-reliant, and energetically in search of employment when out of a job. To assign the right to individuals who do not possess these qualities is to subsidize idleness and encourage them in becoming social parasites.

While the right to a job resembles the elements of the Bill of Rights in carrying with it certain duties, it differs from the rights of the Constitution in certain important particulars. The privileges under the Bill of Rights come automatically to the citizen unless he is restrained from exercising them. Preserving rights is, therefore, a matter of overcoming resistance. In contrast, we do not assure ourselves of a job by simple resistance to some person or some group who is keeping jobs from us, as in the case of those who seek to impede free speech and free assembly. The duties involved in supporting

the right to a job are of a different sort. They involve constructive action, cooperatively undertaken by many different elements of society in a rather difficult field of operations.

The Duties

Besides the duty devolving on the individual, there are others which devolve on business enterprise, on organized labor, on local and state government, and on the Federal Government.

On business devolves the duty of operating at its best possible efficiency and of thereby making it possible for it to expand production and employment, which it should do to the limit of its capacities for solid, sustained growth. It has no duty to furnish employment at a continued loss, since this would reduce the volume of employment furnished, rather than increase it. Business can likewise properly be curbed in activities which seek to contract employment and expansion through the elimination of competition.

Organized labor has serious responsibilities in implementing the right to a job. That right cannot be established without the cooperation of labor unions and the abandonment of practices which in some instances defeat the objective of this bill. There is a general responsibility resting on union negotiators to see to it that wage, hour and production standards sought by the union do not form parts of a total aggregate which so upsets the wage-cost-price relationship as to decrease the total volume of employment. There are other questions relating to widespread unemployment resulting from localized strikes and restrictive practices in admission to membership which organized labor will have to face.

Local and state governments have duties in connection with the wisdom of their tax policies, the effectiveness of their preservation of human and property rights and, in particular, the timing of construction work and any other expenditures which are not on a current basis.

The Federal Government has very large and serious duties to perform if the right to a job is to be made effective. It must do much more than store up work for release when unemployment is large. It must prevent the growth of that unemployment by policies which encourage business to expand and investors to undertake new ventures.

All of the above are prerequisites to the government's assumption of its final responsibility of furnishing work itself when employment lags.

This list of prerequisites is not to be understood as being a series of hurdles over which the unemployed worker must leap one after another before he becomes eligible to federally provided work. All of these duties which implement the right, and all of the activities which are required by these duties, have to be carried on simultaneously. With this done, at any given moment the number of unemployed to be taken care of by the provisions of the Full Employment Bill may be brought small enough so that the available useful work provided by government will actually meet the need.

In view of all the above, I would suggest that the "right to a job" should meet with universal acceptance in this country if it were expressed somewhat as follows: The man or woman out of work has the right to expect that all responsible elements of society, and particularly the government, will use all appropriate and effective means to assist his own best efforts in finding productive and profitable work.

It is my belief that if the individual worker himself and the nongovernmental and governmental agencies involved fulfil their duties, unemployment will cease to be a critical problem.

The Limitations

Your Chairman asks next for my views on the responsibilities of the Federal Government to assure markets adequate to maintain full production and full employment.

As already indicated, it is my belief that it will be impossible for the government to provide markets directly by governmental expenditure under the conditions of private enterprise unless this governmental undertaking has been reduced to manageable proportions.

From the residual must be subtracted a well-recognized element in unemployment which is voluntary and is customarily called "frictional" unemployment. It is composed of certain hundreds of thousands or millions of people who have voluntarily given up a job and are in the process of looking for another, or who have decided on a vacation of greater or lesser length. While the number of people in this category may be relatively stable, its nature is such that its composition is constantly changing. If anyone is unemployed for an extended length of time, he or she does not come in this category of frictional unemployment.

Finally, the last few remaining millions of unemployed will contain some who belong to the problem type and are more or less difficult to handle by government employment. There will be concentrated, in those last few millions, individuals who are problems in themselves; there will also be various localities and industries which present special situations which will not be met by any general provision of employment. For instance, the Missouri Valley Authority development could not easily take care of unemployment in Southern textile mills. Nevertheless, governmental expenditure, properly proportioned and properly timed, is one of the important weapons in the arsenal for fighting unemployment.

I raise the question as to whether it would be possible for governmental expenditures to have provided sufficient work for the conditions which were allowed to develop in the Great Depression without having to resort to the means which became a part of our wartime provisions of employment: namely, wage and price controls and a great expansion of the national debt. The proposed function of the government in providing markets by direct expenditure becomes practicable under free enterprise only if the problem is kept within bounds by other means.

Mechanisms

Discussion is asked further as to the responsibility for coordinating the appropriate activities of the Federal Government to foster the highest possible sustained level of private and other nonfederal investment and expenditure.

To my mind, this is the really important part of the governmental task without which the Full Employment Bill will fail of its purpose. On the face of it, the bill seems to assume that proper expansion and contraction of the federal budget will of itself solve the problem. On the contrary, I would take the position that the expansion and contraction of governmental expenditure cannot solve the problem unless and until the government has done all the other things within its power to assist in maintaining stability and employment.

As an example of what is meant, I would suggest the attention of Congress to the tax policy statement of the Committee for Economic Development, in which the relationships between tax policy and employment are quite clearly drawn. One gathers that the Congress is prepared to recognize its responsibility for employment in setting up a tax structure, but there are other directions as well in which the policy of the Federal Government must be reoriented toward its effect on productive employment. Unless this is done—and not enough is said about these things in the bill—the bill will fail of its purpose.

Inquiry is next made as to views on the preparation by the President and the transmitting to Con-

gress every year of a National Production and Employment Budget setting forth economic goals and trends in terms of employment, production, and purchasing power, and a general program to attain such goals.

This is a highly desirable process, provided it is not intended to use current information to effectuate policies for too long in advance. Current information used for current administrative policies, and as a guide only to legislation for the future, is highly desirable. It is particularly desirable that all the elements pertinent to the problem of maintaining profitable employment should be gathered in one operation and channeled through one source to the Administration and the Congress.

As one element of this, I would like to make certain suggestions with regard to the current reporting of the volume of unemployment. I understand that the statistical work on this subject has been very greatly improved in the last few years. It is estimated directly by sampling methods, rather than as an unreliable reminder after subtracting those employed from an estimated total working force.

Kinds of Unemployment

Might it not be wise, however, to be very much more definite in this matter of unemployment, getting and making generally available reliable figures not merely for its amount, but for its location and character? As was stated before, in any proper attack on the problem of unemployment, the government will be concerned with a residual. In this residual will be concentrated "problem" unemployment. "Problem" unemployment, whether of types of persons, specific communities or specific industries, needs careful analysis to see whether it is amenable to remedy by general policies as are proposed in the bill. Experience, I am sure, will show that a large part of this type of unemployment is not amenable and must be taken care of by specific measures, some of which may be national and others state and local, depending on the circumstances of the case.

In preparing the estimates of unemployment full use should be made of the best sampling devices now available; the data thus obtained should be related to the detailed operating data available from the records of the Employment Service and its associated activity of unemployment compensation. To get this as an over-all picture, it would, of course, be necessary greatly to extend the field of unemployment compensation, and this the Committee for Economic Development is about to recommend. This extension having been made and willingness to accept a job under reasonable conditions being a prerequisite for remaining on the rolls, then we would have a definite measure not merely of the volume of unemployment, but of its location and

character, utilizing all available sources of information.

Such a procedure would enable labor, private business, and government to perform far more effectively in solving any current unemployment situation than does the publication of over-all figures. Indeed, can a rational attack on the problem of unemployment be made without a statistical foundation of this sort?

This is an epoch-making bill. For the first time, it lays emphasis on the maintenance of employment as a major governmental responsibility. Properly interpreting this responsibility it would mean, for example, that never again would a tax bill be written from a narrowly fiscal point of view and without reference to employment.

The bill must not be misinterpreted by assuming that government responsibility can be fulfilled by the timing and volume of its expenditures. That is a dangerous assumption. If the bill is properly interpreted to cover the whole range of governmental responsibility, it will mark a great forward step in organizing our major social and economic objective—a high level of productive employment in the United States.

Which Shall It Be?

H. W. Prentis, Jr.

FROM past experience we should know that a middle-of-the-road course in respect to planned economy is out of the question. Competitive enterprise can be subjected to regulation—as it should be—and survive, but it cannot be combined with government control and still function as competitive enterprise. At the end of the first World War, Walter Rathenau, a conservative leader in Germany, wrote: "From the ruins will arise neither a communistic state nor a system allowing free play to the economic forces." The present holocaust tells how effectively that compromise policy worked out in Germany. It led directly to the destruction of both political and personal freedom. Over-all planning in small doses simply cannot produce results. As Professor Hayek observes: "Planning and competition can be combined only by planning for competition but not by planning against competition."

It is often claimed that a planned economy in the United States would be different from that of Germany, Italy, or Russia because here the planning would be done by men who were not actuated by the desire to oppress their fellow citizens. Unfortunately they would simply have to have power to do the job assigned them, and as Lord Acton said: "Power tends to corrupt, and absolute power corrupts absolutely."

Without power to enforce their decrees, economic

planners would find their efforts nullified at every turn. Even a truly democratic statesman planning a nation's economic life would have either to assume dictatorial powers or abandon his program. And as dictator he would soon have to choose between disregard of ordinary humanitarian morals or failure. That is why unscrupulous men are always likely to be most successful as dictators.

Sixty years ago in his famous essay, "Man versus the State," Herbert Spencer said: "The machinery of communism (planned economy) like existing social machinery, has to be framed out of existing human nature and the defects of existing human nature will generate in the one the same evils as in the other . . . there is no political alchemy by which you can get golden conduct out of leaden instincts."

Those who would substitute governmental control in the economic field for the power exercised by private individuals under competitive enterprise should never forget that they are substituting power from which there is no escape for power which is always limited.

If we ever do lose our freedom in America, I predict that it will be due to planned economy coming as a wolf in sheep's clothing. Sad to relate, we are far closer to it than most of us realize. The shape of things to come over here is often anticipated by what happens in Great Britain. Every thinking American should read the British White Paper entitled "Employment Policy," which was issued last year, and ponder the program there outlined with real concern. For only a short time ago—with little or no publicity in our newspapers over here—the policy advocated in that document was enacted into law by the British Parliament under the frank title of "Planned Economy for Great Britain."

The first repercussion in Washington apparently is the bill for a so-called National Job Budget. This proposal would compel the Federal Government to guarantee a job to every able-bodied citizen at all times. Despite its protestations in favor of private enterprise, it would soon make planned economy and state socialism an accomplished fact in the United States. For do not forget that Lenin pointed out years ago that the surest way to destroy our type of self-government would be to lead the people to believe that public authority could permanently supply them with jobs, for in that event, he said, the demands of the populace would become so insatiable that no free government could possibly with-

stand them financially. This National Job Budget measure, which is proposed by Senator Murray, should be studied by every citizen. It appears to be the opening gun in an over-all program which is allegedly shaping up in Washington under which:

1. There will be established a National Production Council which would control our entire economy, working in conjunction with committees for each industry composed of representatives of labor, management and government;

2. The volume of production would be set by these bodies and a quota given to each producer, the total being fixed at a level that would ensure so-called full employment;

3. The government would guarantee to protect producers against loss by buying any surplus that could not be sold through the regular channels of trade;

4. No new producer could enter any field without the approval of the industry committee concerned;

5. Prices and wages would be fixed and permanently controlled by the planning agency.

This, in essence, is the economic system that was in operation in Germany, Italy and Russia long before the war broke out. It seems well-nigh unbelievable that after we have seen what has happened to civil and religious freedom and political liberty in those countries, we should even contemplate adopting the economic principles of the absolutism we are now fighting to destroy.

A man named Adolph Hitler said: "We shall banish want; we shall banish fear. The essence of National Socialism is human welfare. . . . National Socialism is the revolution of the common man. Rooted in a fuller life for every German from childhood to old age, National Socialism means a new day of abundance at home and a better world order abroad." Those were Adolph Hitler's beguiling assurances to the German people. I am confident no thinking American would want to follow the economic principles of the Pied Piper of Berchtesgaden! Nevertheless, strangely similar utterances are now falling from the lips of highly placed crusaders for a planned economy in the United States.

Competitive Enterprise *versus* Planned Economy—the American system *versus* the Hitlerian system. America stands at the crossroads. Which shall it be? The tripod of American freedom is political liberty, civil and religious liberty and competitive enterprise. They stand or fall together.

WHEN national debts have once accumulated to a certain degree, there is scarce, I believe, a single instance of their having been fairly and completely paid. The liberation of the public revenue, if it has ever been brought about at all, has always been brought about by a bankruptcy; sometimes by an avowed one, but always by a real one, though frequently by a pretended payment.

—Adam Smith in "The Wealth of Nations"

A Catholic Prayer for Full Employment

Full employment at a just wage was the special intention of the September prayer of the Apostleship of Prayer. This is a society within the Catholic Church. The Messenger of the Sacred Heart is its monthly magazine. The following article from the September issue explains the special prayer intention.

By the Rev. Ralph A. Gallagher, S. J.

DURING this month of September, which here in the United States might well be termed the month of labor, we are to petition the Sacred Heart of the Laboring Christ that men throughout the world will be given the chance to exercise their God-given right of making a living and receive in return a just recompense.

The economists of the world have gathered and consulted, and have proposed plans and formulas for full employment and a standard adequate wage. Many of the plans proposed are good. But today we must do more than just plan and propose and make prescriptions. We must storm heaven with our prayers, asking the just and merciful Son of God to move the hearts of men that the sound prescriptions of economic security proposed at international conferences soon become actualities.

In the United States of America our proud boast is that we have won the war by production that meant full employment and at least a raise in the incomes of many. We must now, with the help of God, convert that machinery of war into producing the products of peace. . . .

What Was Done in War

During the days of this war period we in the United States have seen the meaning of full employment and we have a better appreciation of the significance of a just and adequate wage. But what will tomorrow bring? The task of reconversion is gigantic. Some of our leaders are hopeful and optimistic, but many others are afraid. Unemployment, and the vicious circle of nonconsumption and consequent nonproduction, are more than possible. We who have lived through a depression and a war know the meaning of this—and let us remember that we, during these past two decades, have been the fortunate children of God when compared with the rest of the world.

Certainly the Intention of our Holy Father, adequate employment at a just wage for all, is timely. Through this statement he has sounded the call for cooperation. Men must forget differences in this great fundamental program of permanent security. The laboring man and the industrialist must pool

their planning and their efforts. The state must stand behind, giving aid to both. Selfishness and greed on the part of nations or individuals must be outlawed. The all-bountiful God has given to His children a world in which there is more than enough for all. He leaves it to the ingenuity of His creatures to work out the just distribution of His gifts. In the economy of His Divine plan most men will be happy with sufficient work to do and an adequate income to care for themselves and their families.

The Divine Economy

Both Leo XIII and Pius XI, in their memorable letters *Quadragesimo Anno* and *Rerum Novarum*, have outlined the proof of man's right to work and also of man's right to a living wage. The archbishops and bishops of the United States in their statements have developed these proofs. The term adequate employment, used by the Holy Father expressing the Intention for this month, can well be translated to mean full employment. This specifically means that all men be given an opportunity of doing the work they are best fitted to do and doing that work under the best conditions for their physical, social, moral, and spiritual security.

Full employment does not mean a return to slave conditions of long hours in sweatshops or mines, or on communal farms. Full employment means a just distribution of the work to be done and a participation in that work by all who are capable. Man's dignity and freedom must be guaranteed and protected in any program of full employment. But at the same time, the weak or underprivileged must be protected from the rapaciousness of selfish men who make use of other men for their own gain. The just intervention of the state, sometimes as proponent and sometimes as umpire, will at times be demanded.

The Just Wage

Again, the pontiffs and the bishops have given to the world ample definitions on what is meant by a just wage. Today more than ever, Catholic economists and moralists are interested in the full meaning of a living wage. Particularly are they interested in that recompense which will provide not alone for a man, but for his family.

It must provide security and happiness for the father and for his wife and children. A wage, as Pope Pius XI has so well said, is not an alms but is something due in justice. Again, men and nations must unite in establishing some common standard of living. The wage level of the Chinese coolie and the sharecropper in the United States must be taken into consideration. The Pope's idea is for a just wage for all.

Drama of Man in the Atomic Age

*From a Speech in the House of Commons by the
Hon. Robert J. G. Boothby*

I AM sorry that in the first speech I have to make to this Parliament of Hope, I am compelled to strike a rather melancholy, perhaps even a discordant note. But I must record my personal conviction that in the conditions which prevail today the United Nations Charter we are discussing is not adequate to meet the situation. And it is hypocrisy for Members to try to pretend that it really does meet the situation which has arisen. The main reason, of course, is the atomic bomb. Sooner or later, this frightful weapon of destruction will have to be confided to an effective world authority, or humanity will perish from this earth. You cannot stop the march of science in any country, even although my right hon. Friend the Senior Burgess for Oxford University (Sir A. Salter) seemed to suggest, when he spoke the other day, that he would like to do so. Many of us would like to go back to the pre-stream days, seeing the position we have got into now; but it is not possible. The only real hope is to try to see that human nature begins to make some small jog-trot of progress in order to keep some kind of pace with science instead of standing still or retrogressing, as it has done for the last two hundred years. The atomic bomb, in existing circumstances, cannot remain permanently, or even for any considerable period, the exclusive property of the Governments of Great Britain and the United States. We may wish it could be so; but we know in our hearts that it cannot.

I said, a few moments ago, that it would have to be handed over to some kind of effective world authority, and I ask the House: Does this Charter establish an effective international authority? We have to face the fact that it does not. It is disquieting, although, I think, not altogether surprising, that the discovery of this bomb has coincided with a marked deterioration in international morality. We say many fine things in this House that sound good about the future of the world and of mankind; but the fact is that the terrible events of the last five years have inevitably seared the conscience and blunted the compassion of humanity.

Moral Examples

Let me give one example of what I mean by this, affecting this country. A few years ago we should have been shocked beyond measure if we had been told that we were fighting this war for the annexation of vast areas of Eastern Germany, from which

the population would be forcibly ejected. When the Peace Conference comes to be held, we shall no doubt be told, with absolute truth, that the population of Eastern Germany is now exclusively Slav. And we shall not seek to probe too deeply into the events which have brought about this remarkable transformation. Some of us, on both sides of the House may, in our secret hearts, be only too thankful they have been kept under a veil of impenetrable secrecy; but we must recognize that it will not be easy to reconcile these events with the aspirations which were expressed not so very long ago in the Atlantic Charter. . . .

Where To Put Power

This brings me to the crux of the matter before us this afternoon. Paragraph 3 of Article 27 of the Charter lays down that the decision of the Security Council on all matters, other than procedural, shall be made by an affirmative vote of seven members, including the concurring vote of the five permanent members. So long as the great Powers reserve to themselves this right of veto, the Charter can give no guarantee of peace. I think it is much better we should face this issue squarely, and now. No world authority consisting of separate sovereign States will keep the peace, under modern and atomic conditions, unless they are prepared to submit unconditionally to its decisions, and to place their armed forces unreservedly at its disposal.

The question now posed is: "Are we to retain, or are we not to retain, the national ownership of military power?" It would involve a divestment of national sovereignty greater than the nations of the world have hitherto felt able to accept, or indeed accepted at San Francisco; but have not events imposed this necessity upon us? The original structure of the modern sovereign State was a force organization. Evolved by combatant necessities, they were inevitably imbued with a combatant tradition. The old League of Nations expected them suddenly to sit down together, and liquidate the struggle for existence which had created them. It was like asking a lot of tigers to tea with the vicar. There was not a chance of success. First, they consumed the vicar, and then they started consuming each other. San Francisco made a considerable advance in so far as it recognized the importance both of the federal and of the functional approach to the problems that now confront us. What it failed to do was to erect

a single world authority, with the power necessary to impose peace upon humanity.

Some hon. Members may remember the organization, of which the late Lord Davies was the guiding spirit and driving force, which advocated, in season and out, the creation of an International Police Force. I was a member of it, and so was the present Leader of the Opposition. The majority of people, however, regarded the idea as impractical and Utopian. What I want to impress upon the House tonight, to urge upon it, is that it is now a matter of dire practical necessity to create an effective International Police Force. Disarmament is no solution of the problem, as we discovered between the two world wars, when both we and the U. S. A. were pacifist and isolationist in outlook. In the modern world you cannot avoid war or be left alone by doing nothing and simply holding tight and hoping for the best. Our object today is to replace a system of international anarchy by a reign of international law. This necessitates the establishment of a satisfactory synthesis between peace and power; because law is the justified use of force, and peace without power is unobtainable. If you do not use force in the service of the law, it will be used, sooner or later, against the law. That is the great lesson of the last fifty years, and we have to take it to heart.

Fate of Our Species

Will human beings be able to make the terrific sustained mental and moral effort required to modify, to the necessary extent, the concept of national sovereignty—a concept which has been establishing an increasing domination over their minds and emotions ever since the eighteenth century? Upon the answer to this question, the fate of our species, I think, very probably depends. What is the alternative? We are already beginning to see. The alternative is power politics, culminating in war. In the absence of a world authority with effective power, it is inevitable.

There is another aspect of the problem to which many hon. Members have referred. The principle of regional groups of nations which have strategical, political and economic interests in common, is accepted in the Charter. It is one of the best things about the Charter. Such a group came into existence on the American Continent with the Act of Chapultepec, signed in Mexico City just before the Conference at San Francisco was opened, under the auspices of the U. S. A. A similar group in Eastern Europe, under the auspices of Soviet Russia, was established during the Conference with a rapidity which was somewhat embarrassing, but the general effect of which I personally applaud. China is potentially a third regional group. What about our group? Surely we ought to have a group. The British Commonwealth and Empire has already demon-

strated how small units of humanity can combine together on a basis of freedom and self-government for their mutual benefit, without any loss of status; and I believe that a regional extension of this group to include the democracies of Western Europe and their dependencies could only bring increased stability and well-being to the world.

Refuge in Blocs

We have a contribution of great value to make to the civilization of the future, arising to some extent from our genius for compromise. Such a group would be no more, but no less, than the regional organization of a number of countries which have economic interests in common; similar, if not identical, economic objectives; and complementary trade requirements. The truth of the matter is that unless the relatively small nations of Europe, including ourselves, get together in pursuit of a common economic policy, they can scarcely hope to survive economically, and certainly cannot hope to raise their standard of living in the modern world. I think it is a tragedy that neither the late government at San Francisco, nor the present government, have taken the lead in forming a Western European bloc. America has formed her bloc, and Russia is forming her bloc in Eastern Europe—not a bloc against anyone, but fundamentally an economic bloc—and I believe it is essential for us to do the same in order to maintain our standard of life.

There are some who point to the danger of creating blocs which may subsequently become opposed to one another. I think the answer to this is three-fold. First of all, I believe that regional organization is an essential prelude to any kind of global organization. You must build from the bottom upwards. The League of Nations was a magnificent superstructure which crashed because it had no foundations. Secondly, I believe that three or more regional organizations are infinitely safer and preferable to only two, particularly when these two would be based respectively on a socialist and a capitalist system. Thirdly, I think all regional organizations should, from the outset, be fitted into the general structure of the world organization, and subject to the ultimate jurisdiction of the Security Council.

Call in the Psychologists

I have little doubt myself that some of the violent emotional reactions caused by the discovery of the atomic bomb are due to the fear of the subconscious instinct of destruction that the game may perhaps be up—that its favorite pastime, war, may be removed from it forever. This applies particularly to those who want to hide the discovery of the atomic bomb, and try to make rules for the conduct

of war, as though it were a game of football. I doubt if war was ever the romantic and glamorous adventure depicted in some of our history books. But the objective of modern war is nothing less than the total destruction—the extermination—of the other side. I do not think there is much glory to be got out of being vaporized; and I doubt whether there is anything we can really do about it. The atomic bomb, unless it is to be checked and controlled, makes complete nonsense of life. What is the use of nationalizing the Bank of England this year, if it is to be vaporized next year? There is, in fact, very little object in carrying on our daily task.

I believe, Sir, that the basic struggle of humanity remains today what it has always been. It is waged within each one of us, in human nature, itself; and centers round the discovery of some solution between the instinctive claims of the individual and the social claims of a civilized community. So far as this struggle is concerned, there is no irreconcilable difference between psychology and religion. What the psychologists call the life instinct, the churches call God; and what the psychologists call the death instinct, the churches call the Devil. They are both fighting on the same side; and it may well be that our survival depends on their joint success. . . .

This crisis is mortal. For the first time in its history humanity faces the possibility of extinction. I therefore say, let the government rise to the height of the occasion, let them consult with the Government of the United States of America, who share with us this awful secret, with a view to a joint approach to the Soviet Government. Let us say to Russia, "We are prepared to share this great secret with you, provided you are prepared to settle our outstanding differences amicably, provided you are prepared to join with us in making the Security Council established at San Francisco an effective world authority." What I mean is this: Withdraw the right of veto. Until that is done, the Security Council will not, and cannot, be an effective world authority, wielding unchallengeable power. The production and supervision of this weapon could then be confided to the International General Staff, and to that Staff alone. Unless and until that happens, we shall have to cherish this secret and hope for peace; but we shall be living in an uneasy world.

After the last war old Clemenceau wrote:

"The glory of our civilization is that it enables us—occasionally—to live an almost normal life. The armistice is the interval between the fall and the rise of the curtain."

That was true of Clemenceau's time. It is no longer true of our time. If the curtain rises again on another world war, it will rise on the final act of the human drama.

Science

Before and After the Event of July 1945

I. Before

IF IT is something you are going to write about and you push it over to the edge of the desk and let it lie there for a while, only thinking of it from time to time, you may find when you come to take it up that your ideas are clarified. It is a writer's trick. That is what happened to an advance copy of the report of Dr. Vannevar Bush to the President on the state of our science capital. It was a document of 184 pages in a green cover, entitled, "SCIENCE—the Endless Frontier," and it was marked for release not earlier than July 19. There was controversial matter in it. It was bound to intensify the endless dispute between *pure* research and *applied* research, as to which is the better pathway to the unknown and which method is more likely to increase the sum of useful knowledge.

Cosmic Fishing

Pure research is the act of fishing in the void for anything that may turn up. Whatever does turn up is carefully named and classified and added to the stock of pure knowledge, with the idea that some time it will be wanted and may perhaps be vital to the solution of a practical problem. There are many instances to prove this idea, as, for example, the first clock maker who wanted a way to control his mechanism and found that it had been discovered many years before by a scientist—was it Galileo?—who deduced the law of the pendulum from idly observing the behavior of swinging chandeliers in a cathedral. He had no use for it himself, but he made a note of it, and when the clock maker wanted it, there it was.

Applied research, on the other hand, is the act of fishing in the same void for something you already want. The bait is necessity, and it has been proved that necessity is a marvelous bait. Sooner or later the thing you want does strike it suddenly and with unexpected violence, like the bass at dawn breaking the surface of a dark pool and coming with terrific directness to seize the metallic thing that spins and glitters at the end of your line, as if all the time he had been waiting for it. Those who hold for applied research argue in this manner: In the way of fishing for something they want they are bound to catch many things they were not wanting, and these other things, instead of being thrown back, are

named and classified and added to the stock of pure knowledge, so that the stock pile may be increased quite as fast by one method as by the other, with the advantage remaining in favor of purposeful fishing that generally you do get what you anxiously want. This dispute may be left to the scientists themselves. They will never, fortunately, be able to settle it finally. They will go on fishing both ways, as they should, each one according to his temperament.

But there was another question nearer to the understanding of the layman. That was the extent to which the government should subsidize and control scientific research.

It was Dr. Bush, as Director of the Office of Scientific Research and Development, who mobilized American science for war. The fields of research were three. There was government research, there was endowed research in the colleges and universities, and there was happily industrial research, which had created in the last twenty years some of the finest laboratories in the world. Government research was generally of the applied character, and so of course was industrial research. The field of pure research belonged almost entirely to the colleges, the universities, and endowed private institutions.

For War

Dr. Bush's job was to coordinate research in all three of these fields and bring its combined resources to bear on the problems of war. This he did in a masterful manner. Victory without American science so mobilized was unimaginable. The government's own research facilities were rapidly expanded, but that was not enough. Research work was contracted out to private laboratories, both those of industry and those of the colleges and universities. The Bell Telephone Laboratories, the largest in the world, may be taken to illustrate what happened. From 1939 to 1944 its work increased three and one half times and all of this increase was on government contract; that is to say, it was research farmed out by the government under Dr. Bush's administration. And so with all the laboratories in the country, and while government research was going on a private laboratory was a forbidden premise, with military guards standing at the doors.

Our total national expenditures on research before the war were approximately \$400 million, and the government's part of this total was one fifth. During the war the total expenditures rose to more than \$800 million, of which the government's part was more than three quarters. Thus at the end of the war the government was buying three quarters of all the scientific research in the country. What would be the postwar state of research? Would it be demobilized?

In 1944, President Roosevelt addressed a letter to

Dr. Bush asking him what could be done to make available to the world for peacetime use the great body of scientific knowledge that had been created by wartime research; and as for the future, regarding it from his experience, what would he say were the conditions most favorable to the further pursuit of knowledge?

For Peace

Dr. Bush called his committees together and from their collective thoughts produced this report. What he recommends is a National Research Foundation with a board of nine members, not otherwise connected with the government. The government's part would be only to provide the money. The foundation in its own discretion would use the money to "develop and promote a national policy for scientific research and scientific education, support basic research in nonprofit organizations, develop scientific talent in American youth by means of scholarships and fellowships, and by contract and otherwise support long-range research on military matters." The cost of such a program, says Dr. Bush, "would be about \$10 million at the outset and may rise to \$50 million annually when fully under way at the end of perhaps five years." Science at the source, you see, is inexpensive.

Pure research, or, as Dr. Bush prefers, *basic* research, is heavily stressed for very good reasons. During the war, so far as basic knowledge went, we were living on our fat. Most of the wartime research involved the use and application of existing knowledge; the research for new knowledge was practically discontinued, with the result that our present stock pile of pure knowledge is minus all the additions that might have been made to it by five years of normal basic research. But much more serious than that, and much harder to repair, is a deficit in scientific personnel. Unlike other countries, we did not reserve from war the students that were marked to enter the scientific world. At this point Dr. Bush says:

"Neither our allies nor, so far as we know, our enemies, have done anything so radical as thus to suspend almost completely their educational activities in scientific pursuits during the war period. . . . In my opinion, we have drawn too heavily for nonscientific purposes upon the great natural resource which resides in our trained young scientists and engineers. For the general good of the country too many such men have gone into uniform, and their talents have not always been fully utilized. With the exception of those men engaged in war research, all physically fit students at graduate level have been taken into the Armed Forces. Those ready for college training in the sciences have not been permitted to enter upon that training.

"There is thus an accumulating deficit of trained research personnel which will continue for many years. The deficit of science and technology students who,

but for the war, would have received bachelor's degrees is about 150,000. The deficit of those holding advance degrees—that is, young scholars trained to the point where they are capable of carrying on original work—has been estimated as amounting to about 17,000 by 1955 in chemistry, engineering, geology, mathematics, physics, psychology, and the biological sciences. *With mounting demands for scientists both for teaching and for research, we will enter the postwar period with a serious deficit in our trained scientific personnel.*"

Suicide of Science

This part of the report became at once the text for many newspaper editorials and speeches on the scientific suicide of America. One columnist wrote: "Neither ally nor foe in this war has followed such a short-sighted policy. In Russian laboratories, young Soviet scientists have gone right on with pure research which would have no practical results for the current conflict. But out of those Russian test tubes might come the all-powerful weapon of another war."

As for applied research, carried on principally by the industrial laboratories, Dr. Bush thinks you do not have to worry about that. It will take care of itself provided the stock pile of pure knowledge is continually renewed:

"The simplest and most effective way in which the government can strengthen industrial research is to support basic research and to develop scientific talent. The benefits of basic research do not reach all industries equally or at the same speed. Some small enterprises never receive any of the benefits. It has been suggested that the benefits might be better utilized if 'research clinics' for such enterprises were to be established. Businessmen would thus be able to make more use of research than they now do. This proposal is certainly worthy of further study."

II. After

HERE you are to imagine a turned rule, as when the printer sets a rule upside down to indicate an abrupt interruption of the matter. That is to say, here end the notes that were made on the first reading of the Bush report. The notes were folded inside the green document when it was pushed over to the edge of the desk. They bear reading; they are responsive to what Dr. Bush was talking about, and yet they now seem somehow obsolete, as if they belonged to another time. As the green cover falls open the date appears—July, 1945. In that month, science induced the event that has altered every familiar sense we have of the world in which we live, including our sense of science. It is no longer the world into which we were born; it is a world that may be no longer sure of its own orbit.

On the morning of July 16, Dr. Bush and his associates lay on their stomachs in a New Mexico

desert—in the Valley of the Journey of Death—ten miles from a steel tower in which they had suspended a cylindrical object. In that cylindrical object they had trapped a bit of cosmic energy, set on a trigger; and to do this was one of the ends for which science had been purposely mobilized in wartime—object, destruction. They could not foretell what would happen. They dared not look for fear of being blinded, as one who did look was. Nevertheless they pulled the string, and the first atomic bomb exploded. "On the instant that all was over," said the *New York Times* correspondent, "these men leaped to their feet. The terrible tension was ended. They shook hands, embraced one another and shouted in glee." But that was written later. The experiment was a military secret. Nineteen days later the first atomic bomb to be used in warfare was dropped on Japan; three days later a second one—and that was the end of the war.

The Moral Scale

In this report, proposing a program for postwar scientific research, there is, of course, not a word about the atomic bomb. Nevertheless, as he wrote the report Dr. Bush knew of it, for he had all the time been at the center of its becoming. He might have known, too, that if the world were not thrown off its axis when the bomb exploded men would immediately begin to ask: What is science for? He seems, in fact, to have anticipated this question, and he answers it by setting up three values in a certain order. Scientific progress, he says, is essential, (1) for the war against disease; (2) for our national security; and (3) for the public welfare.

It is a moral scale that puts first the war against disease. But science, as such, knows no moral scale. With equal abstraction it pursues either the means to preserve human life or the means to destroy it, or both at the same time. By ironic coincidence there appeared on August 8, under eight-column headlines, the news of what happened to the city of Hiroshima from the first atomic bomb, and under a sunken one-column headline, the news that the Alfred P. Sloan Foundation had endowed with \$4 million the first application of the technique of industrial research to the problem of cancer. To raise the atomic bomb out of the void and bring it to the point of manufacture cost \$2 billion.

National Security

Under the second value, national security, Dr. Bush wrote:

"In this war it has become clear beyond all doubt that scientific research is absolutely essential to national security. The bitter and dangerous battle against the U-boat was a battle of scientific techniques—and our margin of success was dangerously small. The

new eyes which radar supplied to our fighting forces quickly evoked the development of scientific counter-measures which could often blind them. This again represents the ever-continuing battle of techniques."

The Great Frustration

Coming, thirdly, to the public welfare, Dr. Bush seems to see it primarily in terms of full employment. "One of our hopes," he says, "is that after the war there will be full employment." To reach that goal, to create new jobs, we must make new and better and cheaper products; and to do that we must have beforehand more and more research, since new processes and new products are not born full grown, but are founded on new principles and new conceptions which in turn result from basic scientific research.

What Dr. Bush is saying is that for the unpredictable terrors that may flow from science the cure is more science, just as the politician says that the cure for the evils of democracy is more democracy. Here the scientist and the politician are alike. Neither could be expected to say anything else, nor in either case is it a statement of scientific fact. It rests upon faith and therefore cannot be proved.

The Wistful Age

Not long ago there was a simple schoolbook answer to the question: What is science for? It was a wistful answer. Science was to increase man's power over his environment. And why should his power over his environment be increased? In order that people should be able increasingly to satisfy their wants and to do it with less and less labor. A machine created by science and technology would be man's tireless slave. Well, now it appears that the first thing science is for, under the head of public welfare, is to keep us all fully employed. And whereas it was already beginning to appear that people were working for their machines, under a kind of inverted necessity—the necessity to mind them and keep them running or starve—now it further appears that they may find themselves working also for the atomic bomb, since to defend it, to make it more and more dreadful, and to be always prepared to manufacture it, will require an enormous addition to the sum of human exertions; and so far as human happiness may be concerned, the labor for this purpose is purely wasted. If there is not here a law we do not know, one that is perhaps beyond our knowing, the spectacle of science, which was to have delivered people from the curse of toil, proposing instead to enslave them again, is one of tragic frustration. Felix Morley bitterly writes: "So a country dedicated by its founders to individual enlightenment now controls a secret which makes the individual look as does the insect in respect to D.D.T. Quite naturally our new scale of values loses

its moral grandeur and shifts to insect values—full employment or security within the meticulously organized ant hill of the expanding State."

This Picture

What can one do with the picture of this nation, the richest and most powerful of all, the one great surplus nation, sitting alone at the top of the world with the atomic bomb in its hand?

What will we do with the bomb? We will defend the secret of it, of course, as long as we can. We shall make it meanwhile more and more terrible, for fear that someone else will do that if we don't, and at no matter what cost we shall have to keep ourselves ready to make it faster than any one else.

But we know that while science lives it will be impossible for long to hide knowledge like this. It is bound to become a common possession, and when it does, what will the world do with it? Even yet, that is the question in its limited form, begging the one we are afraid to ask. The one we are afraid to ask is: What shall we do with science?

By this one discovery every human value is somehow altered. The first value to be imperiled is the one we call freedom. Presently, the scientist will see, probably with dismay, that the freedom of science comes to an end. Dr. Bush wrote: "The government should take an active role in promoting the international flow of scientific information." What information? Certainly not information concerning the atomic bomb. Therefore, on the ground of national security, the international flow of scientific information must hereafter be censored.

Fear

An American scientist recently returned from the scientific congress in Moscow said he hoped that Russian scientists would be welcome to visit this country and he was sure they would not "go prying around for information they are not entitled to." How can he be sure of that, with the secret of nuclear energy at stake? And would the government be justified to take a trustful scientist's word for it? Moreover, it might be that nobody would know exactly what the visitor was looking for. Problems in pure science are somewhat like jigjag puzzles. No two puzzles are exactly alike. A piece that does not fit into one will be the key piece of another. Early in the war, one of Dr. Bush's problems was what to do with the writers of popular science who might innocently reveal to enemy scientists something they happened to want, and yet it might be something we had not supposed they wanted because at the moment it had no key place in any of the puzzles we were trying to solve.

The foreword to the document entitled, "Official Report on the Development of the Atomic Bomb,"

prepared by Dr. Henry DeWolf Smyth of Princeton University in collaboration with the Army, reads as follows: "All pertinent scientific information which can be released to the public at this time without violating the needs of national security is contained in this volume. No requests for additional information should be made to private persons or organizations associated directly or indirectly with the project. Persons disclosing or securing additional information by any means whatsoever without authorization are subject to severe penalties under the Espionage Act."

The Paris correspondent of *The New York Times* recently reported that a Yugoslav scientist who had specialized in the study of atomic energy had been summoned to Moscow from Belgrade, and went hurriedly by plane to the Soviet Union. Suppose that were a young American scientist who had specialized in the study of atomic energy, perhaps in proximity to some of the work administered by Dr. Bush. Would he be permitted to go? Certainly, hereafter, the government must know what is going on in the laboratories and be mindful that any young scientist asking for a passport to foreign countries may have something in his head that ought not to go traveling abroad. Hitherto, communications on the plane of science have enjoyed almost unlimited freedom. Indeed, the habit of freedom is so long and deep among scientists that even now Dr. Bush strongly recommends that although the National Research Foundation which he recommends shall be endowed with public funds, the gov-

ernment shall not control or meddle with its research activities. One wonders if that will work. If, hereafter, in the words of Dr. Bush, it is to be a "battle of techniques" for national survival, then every laboratory is a danger point. The implications have no visible end; they go already so far that one may begin to wonder whether individual freedom as we have known it can survive in the same world with the atomic bomb.

Freedom

There is, for example, such a thing as the freedom of people to make their own moral decisions. On this Manhattan Project were thousands of wage earners and technicians who had not the faintest idea of what they were about, only that it was a military secret and the work was extra hazardous. In the nature of the case that had to be so. But when the bomb was ready some one had to decide whether or not to release it for purposes of destruction. That was a harrowing question, and one which if it had been presented to them would have divided people to the soul. It could not be presented to them, and that is precisely the point; for what you have here is the definite case in which the freedom of people to make a momentous moral decision in a matter more terrible than war was suddenly nonexistent. Those whose labor did it unawares, whose money paid for it without their consent, whose children will have to live with it, had no more to say about it than the enemy on whom it fell.

—G. G.

SCIENTIFIC truth is characterized by its exactness and the certainty of its predictions. But these admirable qualities are contrived by science at the cost of remaining on a plane of secondary problems, leaving intact the ultimate and decisive questions. Of this renunciation it makes its essential virtue, and for it, if for naught else, it deserves praise. Yet science is but a small part of the human mind. Where it stops man does not stop.

—José Ortega y Gasset.

Government by Propaganda

The Hon. Robert A. Taft

During the debate on the Bretton Woods monetary proposals, Senator Taft digressed from his argument to put upon the record an exposition of the technique by which Executive Government employs its tremendous power of propaganda first to create public opinion and then to exploit it as a pressure upon Congress.

THE Bretton Woods Conference met nearly a year ago. Since that time the government agencies have been engaged in one of the most completely organized propaganda efforts which this country has even seen. It has been organized, not by groups of citizens, but by the Treasury Department, supported by other departments. That propaganda has been successful in creating a large-scale public opinion which is now used by the proponents as evidence of the merit of the scheme, and an argument for its adoption by the Senate. The subject is a technical subject, and few have studied its provisions or its necessary effects. Consequently, it has been comparatively simple to bring to bear an emotional propaganda.

In a previous statement I cited the statute which prohibits the use of government money in connection with sending propaganda throughout the country. That statute is very clear. It was passed in 1919. It was enacted to prohibit propaganda being sent out by the executive department because it has tremendous resources under its control. If it uses those resources, it can produce pressure to an extent which no one could resist. The statute now appears as section 201 of the Criminal Code, and reads as follows:

No part of the money appropriated by any act shall, in the absence of express authorization by Congress, be used directly or indirectly to pay for any personal service, advertisement, telegram, telephone, letter, printed or written matter, or other device intended or designed to influence in any manner a Member of Congress to favor or oppose by vote or otherwise any legislation or appropriation by Congress, either before or after the introduction of any bill or resolution proposing such legislation or appropriation.

The Literature

I now read from a letter received from Mr. O'Connell, the general counsel of the Treasury, in response to a question which I asked at the hearings. He stated in effect as follows:

Sixty thousand copies of this pamphlet were printed at a total cost of \$3,502. In addition, the Treasury

prepared two small pamphlets explaining the purposes and functions of the fund and the bank.

I have copies of two pamphlets before me. They were circulated widely throughout the country. One was entitled "The Bretton Woods Proposals." That is the one which I now exhibit. The other was entitled "Questions and Answers on the Fund and Bank."

The letter continues:

Three hundred thousand copies of each were printed at a total cost of \$4,579. We also had 270,000 copies of President Roosevelt's Bretton Woods message to Congress printed at a cost of \$1,255.

There were nine other publications, both pro and con, of which the Treasury received substantial quantities without cost and which have been distributed upon request. No accurate record of the number distributed has been kept in view of the fact that they were obtained without cost. The nine publications are:

"Bretton Woods Agreements," reprinted from the *Federal Reserve Bulletin*.

That, presumably, was without cost to the Treasury, but presumably at the cost of the Federal Reserve Bank, because the *Bulletin* is published by the bank. The letter continues:

"Bretton Woods and Foreign Trade," reprinted from *Foreign Commerce Weekly*.

Not at the cost of the Treasury, but presumably at the cost of the Department of Commerce. The letter continues:

"Bretton Woods Proposals," reprinted from *Foreign Commerce Weekly*.

Also at the expense of the Department of Commerce. The letter continues:

"Conference at Bretton Woods Prepares Plans for International Finance," by John Parke Young.

Also printed at the expense of the Department of Commerce. The letter continues:

"Practical International Financial Organization through Amendments to Bretton Woods Proposals," American Bankers Association.

That is the first of them that is critical of the fund, and when we questioned the officials of the

Treasury, they said, "Oh, yes, we also distributed those that were opposed to the fund." We found that they got 135 copies from the American Bankers Association, compared with 1,000,000 copies of the other pamphlet.

The Dialectic

What I particularly object to in this whole propaganda is not only the use of the government's money but the fact that it is one-sided propaganda. Every argument is presented just as a lawyer would present his case on one side. There is no recognition of the opposition to the fund. There is no recognition of the proper arguments against it. In this pamphlet called "Questions and Answers on the Fund and Bank" there seems to be a strong desire to avoid calling attention to the cost of the proposal. Nowhere is it frankly stated that the American taxpayer is to be called upon to put up \$6,000,000,000 of his hard-earned cash. Actual figures are avoided. Everything is in general terms of advancement of world trade and happiness and prosperity throughout the world.

If one reads this pamphlet, he will find that it is prepared in the form of most Communist pamphlets, with particular questions and answers selected for the simple-minded fellow, presumably for the man with a mentality of twelve years or so. It is in oversimplified form. Sometimes even the facts are not stated correctly. . . .

The Treasury has carried on a general campaign, entirely outside the distribution of literature. Mr. Morgenthau announced his intention to sell Bretton Woods to the American people. During every move in the whole campaign he has been attended by paid publicity officers. At the Bretton Woods Conference itself there were, in addition to four government press-relations officers, Mr. Frederick Smith, the Treasury Secretary's special public relations counselor, and Mr. Arthur Sweetser, of the Office of War Information, who prepared propaganda for domestic as well as foreign dissemination.

The Propaganda Machine

As Senators probably know, in 1941 there was a survey which showed that 2,895 federal employees were devoting all their time and 31,000 part of their time to publicity. The cost was \$27,769,000 at that time. Since that time the cost has greatly increased. Representative John Taber, the ranking minority member of the House Committee on Appropriations, stated that an estimate of \$300,000,000 was perhaps not too far away from the total being spent today on propaganda of all kinds.

When the whole of that propaganda power is directed toward stirring up the emotions of the American people to sell them a proposition in which

the government is interested, then Congress and the people are deprived of their power to govern themselves. In effect, the propaganda weapon which has been built up to kill Hitler—propaganda which is necessary in war—is brought back here and turned against the people themselves in order to make them agree to whatever the government may wish to put across.

Since the Bretton Woods Conference, the subject has been kept before the people by hundreds of news stories in the newspapers, not to mention columns, special articles, and the like. Secretary Morgenthau has held many regular press conferences, and has always boosted Bretton Woods. The usual mimeographed material has reached all reporters who did not care to attend these press and radio conferences.

Acting on the Columnists

But the Secretary has gone much further. While it is not known how often he has done this, it is known that on March 7, when he felt that the Bretton Woods propaganda was lagging and needed a shot in the arm, he invited a group of columnists and radio commentators to lunch with him. On that date there were present from the Blue Network, H. R. Baukhage and Ray Henie; from the Columbia Broadcasting System, William Costello, Joseph C. Harsh, and Bill Henry; from the Mutual Broadcasting System, Walter Conklin, Fulton Lewis, and Billy Repaid; and from the National Broadcasting Co., Morgan Beatty, Leif Eid, Earl Godwin, and Richard Harkness.

Columnists invited to the Secretary's luncheon on Bretton Woods included Peter Edson, Ernest K. Lindley, James Marlow, Lowell Mellett, Barnet Nover, Thomas L. Stokes, and Paul Wooton. The luncheon was an excellent one and was very successful. The Treasury got some fine publicity for Bretton Woods. I remember the sudden barrage of Bretton Woods interest which occurred in the various columns and on the radio, and I wondered what brought it about.

A Flurry

Small wonder that one newspaper could report that "newspaper columnists, in a flurry of activity, came out almost simultaneously with discussions of Bretton Woods—some of them questioning the motives of private bankers who suggested alterations," as had high officials of the Treasury Department. That was the meeting at which Mr. White made a speech in which he attacked the bankers and impugned the motives of the American Bankers Association which was criticizing and opposing the fund at that time. . . .

In its lobbying activities the Treasury, of course, had the encouragement of various private groups

and supporters. Press Research, Inc., affiliated with PAC, for example, considered any opposition to Bretton Woods as isolationist and as requiring counter-opposition by an aroused public opinion and pressure.

Taking It to the Pulpit

A very informative article appeared in *The Wall Street Journal* of April 13, 1945; it is entitled "Treasury Asks Clergy to Preach Benefits of Bretton Woods Pact." That article told how the government brought to Washington from scattered eastern cities and farms, for off-the-record education, clergymen of four Protestant denominations, so that they might preach the gospel of Bretton Woods from the pulpit. The article reported that this group, brought here to build a fire under Congress, was addressed on Bretton Woods by E. M. Bernstein, of the Treasury's Division on Monetary Research.

The Wall Street Journal in the same article reported from Washington how the Treasury Department installed a separate Bretton Woods propaganda headquarters, run by a Randolph Feltus. What did that cost? And how can or should the ordinary citizen meet it? The office headed by Mr. Feltus wrote pro-Bretton Woods statements and speeches for anyone who was willing to make them public. Also, it would provide speakers to address private groups anywhere, anytime.

Educating the Groups

The clergymen were not the only groups invited to Washington to learn about Bretton Woods. On February 28 of this year one hundred separate groups—women's groups, Negro groups, trade groups, citizens groups, and religious groups—received from a private organization, namely, Americans United for World Organization, Inc., an invitation to attend a seminar on Bretton Woods to be held in the Commerce Department building. There the auditorium had been reserved for the occasion by the Treasury Department, and when the large group gathered it was addressed by speakers from the Treasury Department, the State Department, and other official agencies. The sole topic of discussion was Bretton Woods, and how those organizations could combine to carry the message to the people. Harry White attacked the motives of those who were opposed.

The facts which appear in this case absolutely prove that the Treasury used government money to print documents to persuade Congress to pass the Bretton Woods proposals contrary to the express terms of a criminal statute. I think the facts prove that beyond question. In my opinion, if government funds can be used for that purpose, then the executive branch will dominate Congress.

Moments with Laski

Now that the political revolution in Great Britain has raised it to a position of power, the mind of Harold J. Laski is a subject of further importance. It happens to be the principal thinking apparatus of the British Labor Party. The man himself is not popular. He is a radical intellectual and has almost none of the qualities that associate with personal leadership. Nevertheless, the ideology that he expounds has set Britain in the way to become a socialist state, and his interest in that adventure has a kind of proprietary character. He has influence in this country, too, and writes in a familiar manner on American things, not as a critic only but as one who sat in the councils of the New Deal. The paragraphs that follow are from two of his books, one entitled "The Dangers of Obedience" and the other "Faith, Reason and Civilization."—EDITOR.

The profit-making motive is inconsistent with the achievement of an adequate life.

* *

When Belgian businessmen transform the Congo into a nightmare of unspeakable horror, that is the profit-making motive. When a great steel company sends a gatling gun mounted upon an armored train through a Colorado village at night, that is the profit-making motive.

* *

As the pearl is concealed in the oyster, as ambergris is produced by the disease of Leviathan, so in the interstices of the business man's self-love is mysteriously secreted the progress of humanity. It was the gospel of Mr. Baldwin; it is the gospel of President Hoover; it is enshrined in the stately diction of the Fourteenth Amendment and its interpreters. Its only defect is its failure to conform to the facts.

* *

We have begun to inquire whether a civilization can endure which is permanently divided into rich and poor; whether, in a word, the latter, having attained political power, will be content to go on as hewers of wood and drawers of water to their masters.

* *

The world will not remember the achievements of the New Deal so clearly as its historian will emphasize that, to Wall Street and to State Street, President Roosevelt was the chief figure in an undeclared civil war fought by his enemies with a venomous passion the United States had not seen since the conflict between North and South.

* *

I am not arguing that there is anything inherently unjust in the idea of private property; nor do I deny that it can be so held as creatively to express per-

sonality and continuously to enrich it. But if it is so to be held, it must be derived from a personal effort so organized as to add to the common welfare. It must never be so large in amount that its possessor exercises power merely by reason of its magnitude; and it must never be so small that its possessor is bound hand and foot to material appetite.

* *

The introduction of changes in machine technology and such matters must be removed from the sphere of an arbitrary will to the sphere of consent.

* *

The change from a negative to a positive state is the history, slow, it is true, but sure, of the deliberate use of the power of the state to mitigate the consequences of social inequality.

* *

Russian socialism since 1917 has been, for the most part, a doctrine on the defense against the world much as Christianity was on the defense in the first three centuries of its history.

* *

The solemn truth remains that in the Soviet Union, since the October Revolution, more men and women have had more opportunity of self-fulfilment than anywhere else in the world.

* *

The Communist who yesterday was an outlaw is today a partner in our purposes; and we have had no difficulty in admitting that the partnership alters in a decisive way the manner in which we regard the world about us.

* *

We were aware that a new world outlook was in the making in Russia; but we could not come to terms with it unless we recognized how profound were the changes we must accept in our own philosophy of value. It is this refusal to come to terms with the Russian faith that is perhaps the source of the greatest danger we confront today on the moral plane.

* *

It is foolish, in fact, to expect that human behavior can be fully adapted to the principles of a new faith in less than a generation, especially if those who are to be adapted are, in the process, to be urged to reject the faith on the ground that it is wholly irrational and contradicted by all experiences. This is why the Soviet citizen is constrained to the acceptance of the fundamentals of his faith. We who are dismayed at this constraint ought, after all, to remember that the main reason why we are left the freedom to criticize the fundamentals of our own faith is that no one expects that freedom to criticize will become freedom to change.

De Mille's Revolt

CECIL B. DE MILLE was obliged to retire from the air because he was expelled by the American Federation of Radio Artists—a labor union; and he was expelled by the union because he refused to pay an assessment of one dollar toward a fund that was to be used in a California political campaign. He went to court for an injunction and was defeated. Since then he has made a number of intense speeches on the subject of union tyranny; and now he has organized the De Mille Foundation for Political Freedom, under the following articles of incorporation:

A. All persons may freely organize, form labor unions and bargain collectively for the improvement of their economic, living and working conditions.

B. No employer, organization or labor union shall deprive any person of the right to earn a living because said person agrees to or refuses to pay money, in the form of dues, assessments or otherwise, to support or oppose any political party, candidate for public office, or measure to be voted upon by the people or any legislative body.

C. No person shall be restricted, prevented or denied membership in or employment by any business, corporation, labor union or organization because of such person's agreement or refusal to make a contribution, or to pay any assessment or dues for the support of or opposition to any political party, candidate for public office, or measure to be voted upon by the people or by any legislative body.

D. No person, in the exercise of the liberties and rights guaranteed by the Bill of Rights, shall be denied the right to work or earn a living by any employer, organization or labor union because said person supports or opposes, publicly or otherwise, any policy of said employer, organization or labor union or the owner or the officers or members thereof.

E. The personal and political freedom and rights of the individual to oppose all means which seek by coercion or threats to limit, restrict, destroy, deny or control the political freedom and action or personal freedom and rights of any individual, shall be safeguarded.

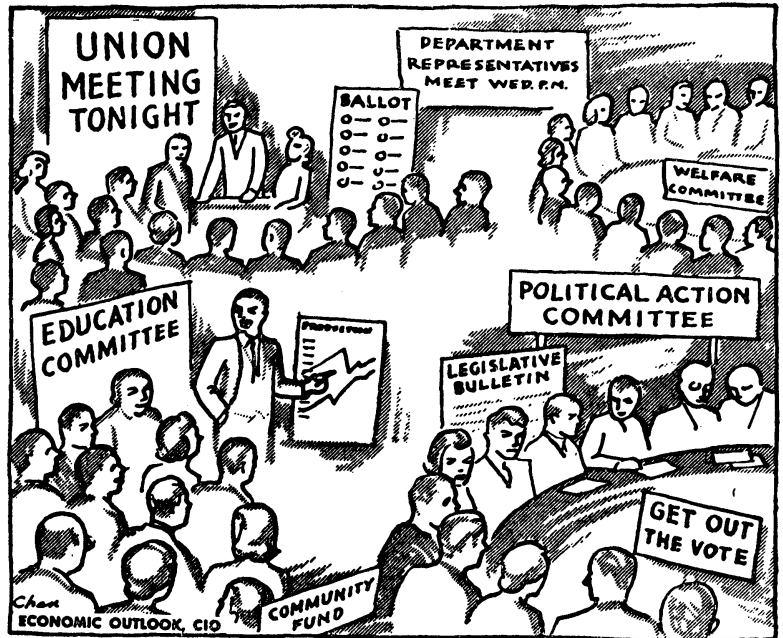
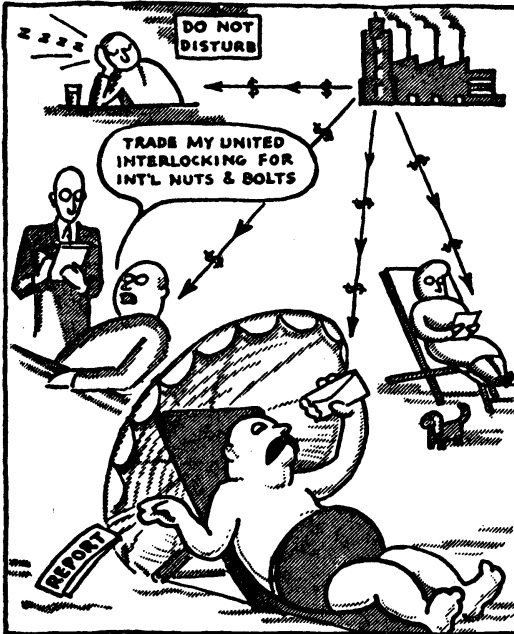
F. The individual's right to political freedom shall be guaranteed and protected, and no funds collected as assessments or dues by any employer, corporation, business, organization or labor union shall be used or expended for the purpose of curtailing, restricting or denying one's right to political freedom.

G. That there shall be created and aroused an enlightened public sentiment by a campaign of education, dedicated and confined exclusively to the principles for which this corporation is formed; and in connection therewith to use all proper means including, but not limited to, newspapers, pamphlets, radio broadcasts, debates and the holding of public meetings, to the end that the liberties guaranteed by the Bill of Rights shall be more fully understood, respected, protected and perpetuated.

DEMOCRATIC PARTICIPATION

SHAREHOLDERS

TRADE UNIONS



THESE typical contributions to the spirit of amicable labor-management relationship are from *Economic Outlook*, published by the Department of Research and Education of the CIO.

In the same number there is the following statement of the doctrine of the closed shop:

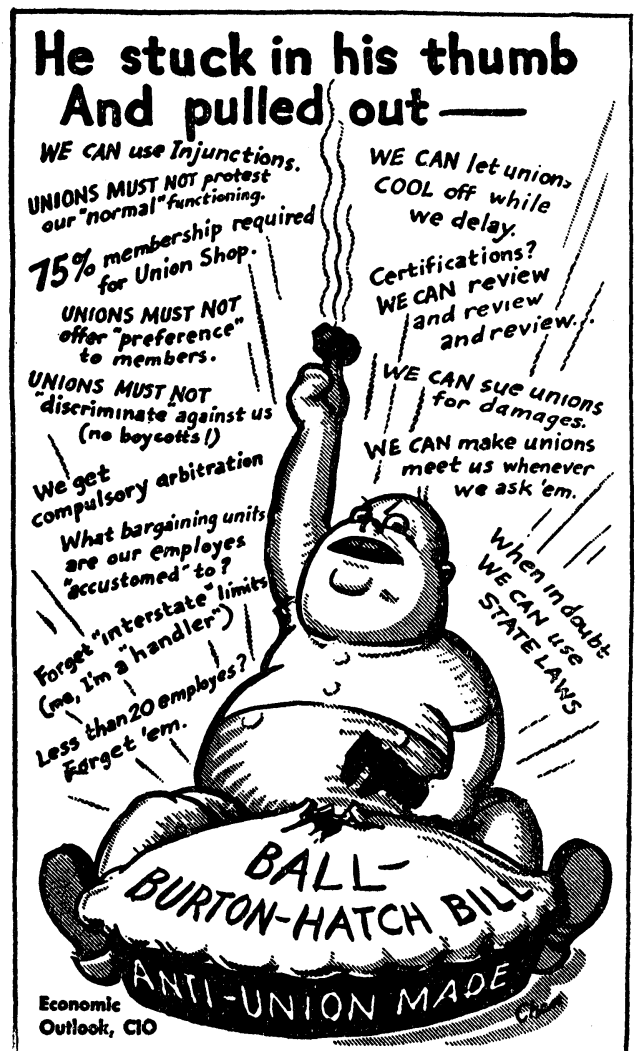
"Why do unions demand the union shop?"

"Why do governments ask their citizens to pay taxes? . . .

"A union is not named exclusive bargaining agent for all employees until a majority of the workers vote for it. It is this majority which then determines what working conditions it will claim for the whole shop. It imposes those conditions upon the others, just as the Congress elected by a majority imposes legislation upon the whole country."

Also the recent history of "genuine unions" as follows:

"The history of labor organization in the 1930's is well known. Workers, no longer afraid of losing their jobs because of union activities, flocked to join the unions. Membership jumped from 3 million in 1932 to 14 million in 1945. By 1945, two thirds of all workers in manufacturing were employed under the terms of union agreements. The NLRB, in the 10 years of its existence, has handled over 74,000 cases. The Board has disbanded more than 2,000 company unions, and some 300,000 workers fired for union activities have been reinstated. Genuine unions were chosen in four fifths of the 24,000 elections conducted by the Board."



Prediction and Forecast

The President

Let me emphasize that there will be no reason for undue timidity. A vast backlog of orders may soon make possible the greatest peacetime industrial activity that we have ever seen. But this can happen only if the Congress and the Administration have vigorously and courageously to deal with the economic problems which peace has created. Then there need be no reason to fear either the immediate future or the years that lie ahead of us.

A Washington Consensus

Chester Bowles, Price Administrator, made the following statement before the National Industrial Conference Board on September 20:

Several groups of economists in Washington have been working hard for several months in an effort to determine the kind of economic conditions which we are likely to face during the coming months. While their figures vary in detail, the extent of agreement between them is remarkable. Generally speaking the picture to them looks something like this.

In 1945, retail volume was roughly that of 1944,—this by far the biggest year in history. In 1946, retail volume will equal that of 1945. Then economists expect a drop in the sales of some food products and nondurables, and a substantial increase in sales of consumer durable goods.

If the excess-profits tax is removed, they tell us that profits after taxes will reach the highest point in history. Dividends will rise. There will be a superficial atmosphere of free spending and widespread prosperity.

But under the surface, they say, the picture will be far less happy. These experts agree that by the middle of the winter we shall see nine million unemployed. They anticipate a drop of some \$25 billion in gross national income. They expect that unemployment will decrease gradually through the year and will still remain as high as six million by a year from this coming Christmas. According to their best estimate, half of the unemployed in 1946 will be veterans.

B. M. Baruch

As a result of controlling Germany, great economic benefits will flow to all of the United Nations. It will open expanded industrial opportunities to them and agricultural and other products which Germany will not use will be taken up by other countries. Britain, with a grave need for increasing the volume

of her exports to pay for food and raw material imports, will fall heir to many former German and Japanese markets. Instead of trading with Germany, the United Nations will have more trade with one another. More jobs and more business will permit the United Nations to pay part of the war's costs out of high wages, increased profits, and greater tax revenues. For at least five and possibly seven years there will be an enormous over-consuming demand for everything—raw materials, manufactured goods, food, clothing, housing, transportation, machinery, and capital. If the peace soon to be written permits men to look forward to the future with hope, not fear, prosperity of unpredictable length lies before us.

By Industry Itself

The following report is by the Committee for Economic Development, through its Marketing Committee:

The principal element in this study is a composite estimate, or forecast, by American manufacturing industry of its markets in the postwar year 1947. There was no question at any time of the Marketing Committee's making the estimates itself. *It was felt that the people best qualified to do the job were those most familiar with the situations and problems involved—the manufacturers themselves. . . . The manufacturers were not making estimates for their individual companies.* They were to do exactly what the trade associations who cooperated with us were to do; that is, *produce forecasts for their industries.*

These forecasts were to represent the amount of business the estimators thought would actually materialize in their respective industries. The only assumption which was necessarily to be common to all the estimates was the very arbitrary one that 1947 would be the first full postwar year and that by that year a very substantial element of the industrial reconversion would have been completed.

Beyond that, the estimators could make any assumptions they chose regarding the so-called "environmental" factors which would depend upon planning or action by government or business, upon the level of consumer confidence, or upon affairs outside of the United States.

A total of 1,564 manufacturers and manufacturers' trade associations supplied figures. There were forecasts from 158 trade associations and from 1,406 manufacturers. The trade associations which cooperated in the study have a combined membership of more than 20,000 manufacturers.

THE FORECAST: The aggregate value of manufactures in the year 1939, which may be taken as

the last more-or-less-normal prewar year, was \$56,-843 million, according to the Census of Manufactures taken in that year.

The aggregate forecast of manufactures in the hypothetical postwar year 1947, with which this study deals, is \$80,515.0 million, at the general price level of 1939.

This is an increase of 41.6%.

As between the nondurable goods industries and the durable goods industries, the picture is as follows:

Industry	Value of Manufactures at the 1939 Price Level (Millions of Dollars)		% Increase Est. 1947 over 1939
	1939	1947 (Estimated)	
Nondurable goods.....	32,773.3	44,458.2	35.7
Durable goods.....	22,906.7	34,426.5	50.3
Miscellaneous.....	1,163.0	1,630.3	40.2
Total.....	56,843.0	80,515.0	41.6

O. W. M. R.

John W. Snyder, Director of the Office of War Mobilization and Reconversion on Oct. 1:

After a brief decline there will be a period when business is expanding, men are going back to work and total employment is mounting. Normally we should expect to see unemployment declining at a time like this, but high unemployment will persist through 1946. This is because men and women will be coming out of the Armed Services faster than industry can possibly reemploy them.

Several million of the persons who have worked during the war will retire permanently from the labor force, but in spite of this our total civilian labor force will be increased more than 5 million during the next year.

Inflation and deflation will be at work simultaneously in different parts of the economy. For instance, there will be buyers for more automobiles than can be made for some time to come. This will also be true temporarily in the case of most other durable goods. However, many of the nondurables will be in excess supply and subject to deflationary pressures since those whose earnings are reduced will be less able to maintain their purchases.

By next spring, with demobilization running at better than a million a month, unemployment may rise to about 8 million. The total will depend on how fast reconversion and expansion can be accomplished.

Dr. Julius Hirsch

A division of the Department of Commerce, in a pamphlet called "Markets after the War," has estimated that in order to employ 54 million persons annually, we would have to have almost a 63% in-

crease in volume (not prices) over our 1939 national consumption and investment. Taken literally, this would mean eating two thirds more food, spending two thirds more on laundry, and wearing two thirds more clothes than in 1939. As this obviously will not happen, the pamphlet said that, for example, our consumption of pianos and organs would have to be increased by 151%, of stationery by 104%, of luggage by 166%, and of monuments and tombstones by 84% above 1940!

There is another way of visualizing the practical impossibility of achieving a postwar national net income of \$140 billion in prices of 1942, or \$153 billion in today's prices. It would mean, between 1939 and 1946, a yearly increase in civilian consumption and investment almost three times larger than had ever been experienced anywhere in the world, even including wartime. In the short span of seven years, we would increase per capita consumption by one third more than we did in the whole splendid forty-year period between 1899 and 1939.

Most people underestimate in still a different way the size of the task of bringing our labor force up from the 45 million of 1939 to the 60 million really needed in 1946-47. It does not only mean, as it seems, an additional employment of one third, an achievement never reached before in so short a time, but, in fact, an increase of 50%.

This is because the increase must take place in only a portion of the labor force—that which earns wages and salaries. They are the ones who lose work in bad times, while farmers, businessmen and other "self-employed" people merely work less and mostly stay in the employed force. Of 1939's 45 million total, about 10 million were farmers and businessmen and four to five million were classed as self-employed. That leaves only somewhat more than 30 million wage and salary earners. Their number must be increased by 15 million in order to get the over-all total up to 60 million.

Thus it seems certain a national income of \$140 billion, in 1942 purchasing power, soon after the war cannot be reached, and that, consequently, our economy by itself will not employ 54 million people. Moreover not 54 million, but 60 million people will claim jobs, and they will have to be employed. . . .

Since only high national purchasing power can make for a high level of consumption, and since wage and salary earners hold a key position in consumption, it is argued that our national payroll must be kept high. As soon as production for war levels off, however, overtime work will have to be scrapped, and even our prewar labor week may be reduced. Therefore, the idea is to increase the hourly wage rates in order to maintain the present weekly take-home pay. This alone would not be enough to preserve the national payroll, as about six to seven million employees must be released by the war

industries, but, if it could be generally applied, it would be a great step toward keeping purchasing power high. However, the fact is it cannot be done without changing our economic system entirely.

It will be impossible, of course, to persuade most of our industries to undertake voluntary wage increases. In 85% to 90% of the markets, raw materials and labor will be abundant as soon as war production stops; competition will again be keen and, consequently, the desire to lower costs will be strong. With our present wartime system, which in effect guarantees costs, high labor costs can be borne easily, but as soon as the system of free enterprise (*i.e.*, of competition), is reinstated, there will again be sharp pressure to reduce costs.

In those industries where scarcity still prevails and competition is therefore postponed, voluntary wage increases, as proposed by Mr. Wilson, are theoretically possible—though not probable—because the wage level of one industry is influenced by that of the others. Higher wages can be granted most easily in those industries where the ratio of labor costs to total costs is small, and where sales are dependent upon a high purchasing power of the average man.

It might be said that a "Peace Labor Board," with authority over wage rates, could enforce higher wages than the free market would allow. But in peacetime, such compulsory wage raising would be possible only if employers were enabled to increase their prices accordingly. This, in turn, would defeat the very purpose of increasing purchasing power through wage increases.

Will the labor unions be strong enough to obtain higher wages, especially if backed by the government? At present, out of approximately 38 million employees, not more than 12 million are unionized, and it is generally believed that after the war the number of union members will decline to around 8 million. Moreover, a major part of unionized labor will be working in the "replenishment industries," which will object least to wage increases since they will not encounter sharp competition for some time. When labor surpluses develop in those industries where competition is keen, but where unions are not strong, labor, by its own efforts, cannot be expected to obtain higher wage rates.

Social Security Board

In providing Congress with estimates of the cost of the Emergency Unemployment Compensation Act, the Social Security Board assumed three levels of unemployment—low, intermediate and high. Senator George reported the figures as follows (*Congressional Record, September 20*):

"First, there is the low unemployment which is taken as 1,100,000 in June, 1945; 5,500,000 in De-

cember, 1945; 6,000,000 in June, 1946; 4,500,000 in December, 1946; and 3,000,000 in June, 1947. It is estimated that the intermediate unemployment will range from a low of 1,100,000 in June of this year to 4,000,000 and up, and that it will go up to 8,000,000 and fall to 4,000,000 in June, 1947. The board assumes a high unemployment ranging from 1,100,000 in June of this year up to a top of 10,000,000 in June, 1946, and a recession to 6,000,000 in June, 1947."

George W. Romney

General Manager of the Automobile Manufacturers Association

I estimate that the number of cars registered will rise to a 40-million level by 1960. It does not appear likely that current and pent-up demands will be met before 1952. By that time, if prepared and programmed national, state and local highway modernization plans are carried out, new peaks of car use should begin to reflect themselves in still greater car demand. Getting cities out of their traffic muddle can mean almost as much as getting the country out of the mud after World War I because 85% of car use occurs in cities.

Wall Street Journal

Can the wartime price level be long maintained? We think it cannot, no matter how desperately we try to hold it where it is. The only questions concerning it, in our opinion, are when it is to begin falling and how rapidly it is to decline to a level of something like equilibrium. It is impossible to fix a date on which prices in general are to turn downward. The movement may for long be hardly perceptible; some commodities and classes of goods are likely to weaken while others are still rising or holding steady. Practically all prices are more or less related to wages and it seems to be generally conceded that most wage rates will only slowly recede from their wartime peaks.

Our chances of maintaining the existing price-wage level would be better than they are if the United States possessed a closed and self-sufficient economy. But nearly all its citizens protest that they want nothing of the sort. They want to sell cotton, wheat, pork and manufactured wares abroad and they admit that if they are to export they must import. Congress has lately re-enacted the reciprocal trade agreements law, even amending it to allow the Executive to reduce tariff rates by as much as 75% of those of 1935. Lowering the protection "barrier" must weaken the underpinning of our present prices (part of which is the scarcity of goods) when industrial Europe gets going again.

Even before that happens we shall try to sell

farm products to world consumers intent on buying in the cheapest markets. The Treasury can subsidize exports, as it has been doing, but subsidies provoke retaliatory price cutting, as they already have. So-called world commodity agreements—which have no chance of “stabilizing” world markets except as these are subjected to governmental cartelization—meet with much favor abroad and a little in this country. A Washington régime which honestly believes in a free enterprise system cannot go along on that road.

This newspaper's belief is that we are in for an extensive price-wage readjustment, one likely to proceed slowly, at least for a matter of months. We believe the public debt argument for governmental price bolstering is fallacious. It is not the level of prices but the volume of production and distribution which will determine whether the debt burden is light or heavy. It is not basic wage rates but the volume and continuity of employment and the prices of necessities that will measure the prosperity of the wage worker.

The Hurdle Race for Foreign Trade

**By Henry Chalmers*

THE time has come to readjust our focus on the prospects for American export trade. The war is over, and no new contracts are being entered into for the supply of goods to other countries on straight lend-lease terms. As a transitional aid, the procurement facilities of the United States Government have been offered to the Allied Governments for sixty days after V-J day on a reimbursable basis, to give them time to work out their own arrangements for continuing the flow of supplies to their soil, on either cash or definite credit terms.

Thereafter, all goods for shipment to foreign countries—except relief and military goods, and supplies for the American forces abroad—will again be procured in the open market and financed on some commercial basis, and, in so far as they are imported by private firms abroad, their admission into the countries of destination will become subject to such official controls as the respective governments impose upon regular commercial importations. For the time being, the exportation of some commodities from the United States will continue subject to control, by license or allocation. . . .

A Divided Prospect

There is an apparent inconsistency between the optimistic promise held out by various broad programs for the revival and expansion of international trade, now being widely discussed, and the apparently restrictive measures of control upon their foreign trade currently operated or contemplated by various foreign countries. It is therefore important to consider how the actual practices of the immediate transitional period can be harmonized with conceivably different long-range programs.

In the light of the changes in the trade-control

measures of many countries induced by the war, and of the emerging trends in their postwar commercial policies, American exports may face new and greater obstacles in various foreign markets after the immediate postwar shortages of goods have been made up, unless bold measures are promptly taken to forestall or to minimize them.

These obstacles may not appear in full strength for the next year or so. During that period, the world trade situation may be overshadowed by the strong import demands from many countries for foodstuffs, raw materials, and other necessities for replenishment, and for capital goods with which to rebuild war-torn or worn-out transportation systems, utilities, and productive enterprises. For many of these products, foreign countries must turn primarily to the United States, and, for the time being, their governments are unlikely to handicap the importation of the goods considered essential. Even before the replenishment-and-rehabilitation period tapers off, however, production of various commodities within the importing countries and from competitive third sources will be approaching more normal volume, and the accumulated reserves and new credits of the various countries may have been largely utilized or committed. The underlying trade restrictions of various countries may then increasingly come into operation, as checks upon the volume of importations from the United States, either in general or in particular classes of goods.

Unless these tendencies in the trade-control measures of many foreign countries are modified or tempered before then, the world trade situation for a stretch ahead may be marked by wider use than before the war, of selective import-permit systems, of restrictive exchange controls, and of trade-diverting preferences and discriminatory trading arrangements. There may also be some increases in import

*In *Foreign Commerce Weekly*, a publication of the Department of Commerce.

duties in various countries, although the height of the tariffs would often not be the controlling consideration. In addition, there is to be expected an appreciable increase in the practice by certain countries of state trading or state-directed trading. . . .

It may help to visualize the current and prospective trends in the way of possible foreign barriers to American exports, to review briefly each of the principal types of foreign-trade controls and arrangements, and to indicate the areas of their greatest prominence.

Import Duties

Various countries reduced or suspended certain of their duties during the war, and further suspensions are likely during the replenishment period, especially by the newly liberated countries short of supplies. Most of these easements are expected to prove temporary, however, and a number of countries are moving into the postwar period with higher duties on imports than they had in 1939. Moreover, the governments of many countries, notably of Latin America, India, China, and Australia, are being strongly pressed to give assurance of additional tariff protection to various lines of production undertaken or expanded within their territories during the war, if they should otherwise be unable to meet reopened foreign competition.

Import Quotas

The use of import licensing systems spread during the war to the great majority of countries, as means of rationing shipping space and exchange resources, or of making possible jointly operated supply programs. Thus far, little has been done toward their relaxation. Indeed, a number of Latin American governments have announced during the past year new import-control plans, which appear designed either to restrict imports in selected lines, or to keep a close administrative check on orders placed abroad as goods become more freely available. Moreover, most of the governments in the newly liberated areas are making the obtaining of an official permit the indispensable condition for such private foreign-trade transactions as they allow, particularly in the case of importations. This is justified by them as part of the general centralized control or direction of their economies regarded as necessary during the rehabilitation period.

Exchange Controls

Centralized controls over remittances to pay for imports were common institutions in most countries of Europe, and in many of Latin America, before 1939. Under the necessities of the war, they have become general in application. The great impoverishment and increased governmental burdens of the

war-ravaged countries will probably lead them to husband their foreign-exchange resources for an extended period. Even in many countries not directly injured by the war, exchange resources are likely to be reserved largely for capital equipment for the reconstruction of their transportation system and factories, and for new projects for diversifying their economies, especially through industrialization, for which ambitious plans are being formulated. Many governments of Latin America, and also of certain of the British countries, have definitely indicated their intention to use the exchange resources accumulated during the war primarily for such purposes, and to control selectively the amount of exchange to be made available for the importation of consumers' goods and equipment. . . .

Bilateral Trading

During the immediate postwar period, while import license systems and exchange controls may prevail, special bilateral agreements are bound to be concluded between various pairs of countries regarding the trade or payments between them, often approaching direct barter or compensation arrangements, as was the case for a number of years after the First World War. Such special bilateral trading or clearing agreements can easily become discriminatory in their effect. Moreover, unless general relief is afforded by early agreement among a large number of countries—for the concurrent reduction of trade barriers, for the linking of their currencies to each other by recognized parities, for transitional financial assistance, and for facilities for the gradual attainment of free convertibility of exchange balances—special régimes may be established by certain groups of countries to facilitate trade among themselves by confining free exchange transfers to members of that group.

The formation of just such a limited exchange and trading ring has been vigorously urged from certain influential quarters in the United Kingdom, to be built around the sterling bloc. Unless some funding or other arrangement is soon worked out regarding the huge blocked sterling balances accumulated in London during the war to the credit of various countries, and regarding their further increase, these blocked balances may so overhang the current trade possibilities of a number of countries as to lead in effect to such a special preferential trading bloc. Such a bloc would not only operate to the distinct detriment of outside countries, but would also restrict the expansion of total international trade, without which the prospect for a revival of general world prosperity is very dubious.

British Trade Preferences

Under the pressure of the war emergency to conserve foreign exchange, especially dollars, there was

superimposed upon the prewar *tariff* preferences, among the various parts of the British Empire, a preferential import *licensing* system. Under this system, merchants in most British countries have seldom been granted permission to import goods from outside countries during the war if similar goods were obtainable from within the sterling area or the Empire. If this double preferential structure long continues on anything like its present basis, it can constitute a strong instrument for reserving Empire markets more exclusively than ever for the other Empire countries. The willingness of the British countries to curtail preferences materially below their prewar status appears dependent upon the prospect for the reduction of tariffs and other trade barriers in the United States and other outside markets.

The exclusive trade preferences which had developed before the war between certain countries of Continental Europe, by overt and other means, will undoubtedly be swept away. Various proposals have been advanced, however, for bringing into special trade relations certain pairs or groups of countries, both in Europe and in South America. If new customs-union or regional-preference arrangements should eventuate, there may develop new handicaps to the trade of the United States and other outside countries, unless broad criteria are generally agreed upon before their creation, designed to insure that the benefits to the participants would not be at the cost of material shrinkage in the trade of the combined area with the outside world. The first of such larger economic groupings which has thus far taken form, that embracing Belgium, Luxembourg, and the Netherlands, promises to meet this criterion of general welfare.

Bulk Buying

Under the exigencies of the war, bulk buying of large quantities of certain basic commodities from a particular country, or the concentration in governmental hands of the provision for the importation of the country's total requirements of a specific product, has been widely resorted to even by otherwise predominantly free-enterprise countries, including the United States and the United Kingdom. This was done primarily because, under the circumstances, it was regarded as the most effective and economical method of procurement and allocation of certain staple foods and raw materials, most of them in short supply. In a large proportion of the cases, private trading firms have figured in the actual importation and distribution of the goods, within the over-all arrangements made by governments, which often also assumed certain extra costs and unusual risks.

While most of these wartime bulk-purchase arrangements are being gradually terminated, certain

of the supplying countries, especially in Latin America and the British Empire, are seeking the continuance of assured outlets for their exports during the uncertain period ahead. Moreover, some of the importing countries are also interested in entering into long-time bulk-buying contracts for particular commodities. The bulk-purchase arrangements for meats and dairy products recently concluded by the United Kingdom with certain of the Dominions, and under negotiation with the River Plate countries, are notable illustrations.

It is claimed that bulk-buying operations need not be so administered as to be inconsistent with a generally competitive trading system and an expanding world commerce, since the allocation of purchases can be guided by commercial considerations, and the actual transactions can continue to be consummated through private trading channels. American businessmen, however, have considerable misgivings on this subject.

State Trading

Probably less amenable to the influence of the policies of the leading trading countries will be those obstacles to the revival of world commerce (on a substantially private competitive basis) which arise from the current tendencies toward greater state-operated or state-directed trading. This movement has been most marked in the war-disrupted countries, but is not limited to them. Some people are concerned lest these necessitate material changes in American foreign-trade methods and policies. As yet, only provisional opinions are warranted as to the countries in which these trends are likely to develop into definite long-time programs, and those in which they are temporary expedients which may not long outlast the disordered period of postwar readjustment. . . .

In most countries of eastern Europe, the domestic structure of production and distribution now seems likely to be largely governmentally controlled, in some cases approaching the Soviet pattern. It is not yet clear, however, whether this will mean that American foreign traders will have to accommodate themselves to dealing indefinitely with the official trading missions or agencies of these countries, or whether the actual conduct of their foreign trade may not, outside of a few staples, revert in time to private commercial organizations, operating within the framework of broad official direction. It should be kept in mind that the combined volume of the foreign trade of the eastern European countries constituted before the war a very small part of total world commerce and that the extent of their trade with Soviet Russia was almost negligible, whereas their dependence for markets and supplies upon the outside nations, particularly of central and western Europe, was very great.

Prewar United States experience in trading with the Soviet Union, and with single-product monopolies in other countries, supports the expectation that it should be possible to establish a commercial bridge with state-trading countries, with governmentally directed private traders, and with bulk-buying agencies, without radically changing the traditional American methods of trading or established commercial policies. . . .

The Need To Know

It seems highly essential that at least the principal trading nations determine soon the character of the long-term international economic program for col-

lective or parallel action upon which most of them can agree. That program might then be made known as their definite common set of objectives, to be attained broadly by a given future date, and to be approached by stages or as transitional limitations allow. With the long-range program thus set, private producers and traders, as well as governmental agencies, will be on notice that current measures or arrangements inconsistent with that program are to be regarded as temporary. They would know that such measures would need to be modified during the transition period, if they would minimize the hardship to themselves, at its close, in adjusting to liberal international trading methods and controls.

The Russian Wheat Menace

**By Senator Langer of North Dakota*

ONE day in 1937, when as Governor of the State I sat in my office in the capital of North Dakota, my secretary ushered into my presence six Russians. I said to them, "What are you gentlemen doing in the State of North Dakota?"

They said, "We are here, gathering samples of wheat, oats, barley, and flax, and of every kind of flower you have, and of every kind of shrub you have."

I said, "Are you doing that in every state in the United States?"

They said, "We are not only doing it in every state in the United States; we are doing it in every country in the world."

When we read the book written by the Dean of Canterbury of the Church of England, we find that, sure enough, it contains a list of every one of the countries in which the Russians have made investigations. They sent out sixty great expeditions to gather samples from every corner of the earth.

The man who holds the highest title in Russia is not an admiral, he is not an army man, he is a farmer, the president of the Lenin Academy of Agriculture. He is thirty-eight years old. What did he do for Russia? He had the soil analyzed in every section of Russia.

Farming on the Grand Scale

Throughout the tremendous cooperative farming fields in Russia, where as many as four hundred tractors do the work on one farm, the Russians know that in some cases they are going to seed all of the area with rice because rice grows wild in that par-

ticular soil, on other hundreds of thousands of acres they may seed oats, and in other places wheat, while in the United States the farmer who is farming a piece of land may plant 30 acres in oats, 40 acres in wheat, 20 acres in flax, and 20 acres in rye.

Russia does farming on a grand scale. How do the Russians seed their land? They seed by airplane. How can the farmers in America compete with a country which seeds by airplane 241 acres a minute? The seeding done by the Russians is so well regulated that they can seed just as deeply as our farmers can when they seed by machine. The Russians take the hulls off the seed before it is planted. The seed is placed in a pellet, and a small amount of fertilizer is placed in the pellet with it.

We are told that we shall have a great economic battle with Russia. Let me tell you that those who say that are correct. I say that the thing to do is to cooperate with Russia in every possible way. We can do so, but we cannot do so the way we are approaching it.

Planting on the Snow

The Russian to whom I have referred received the highest honor or rank because by crossing and recrossing various strains of wheat he finally obtained a kind of wheat which grows like hay, which does not have to be reseeded each year, which grows as timothy grows in Wisconsin, which grows as the prairie hay and buffalo grass grow on the plains of North Dakota. The Russians have gone as far as the Arctic Circle in working with wheat. They have gone into fields covered with three or four feet of snow, and they have put ashes on the snow; and,

**From a speech in the Senate.*

by means of utilization of the heat of the sun's rays, the snow is melted, and they have seeded those fields to wheat, sometimes when the temperature was 40° below zero. They have wheat which is frostproof; they have wheat which is rustproof.

At one time when the commissioners of agriculture met in Washington, at the Raleigh Hotel, I went among them, and I said casually, "How many kinds of wheat have we in the United States of America?" Some guessed that there were 50. The highest guess was 300. But in one room in Russia they have 30,000 kinds of wheat.

Compare North Dakota

Today on the average American farm in the Northwest the threshing is done into a grain tank. That is one handling of the wheat. Then the grain is taken to the granary; that is the second handling. From the granary it is taken to the elevator; that is the third handling. From the elevator it is taken to the freight cars; that is the fourth handling. In the freight cars it is taken to Duluth; that is the fifth handling. At Duluth it is taken to the terminal; that is the sixth handling. At the terminal it is loaded on to the ship; and that is the seventh handling.

But in Russia, on the great Russian farms, not a human hand touches the grain. The Russians have big rubber-tired vehicles which hold thousands of bushels of grain. They take them out to the fields, fill them with wheat, haul them to an airport, where the wheat is placed in cargo planes, and flown to Norway or to other countries. The American farmer is asked to compete with such a system.

But we can easily compete. The distinguished senior Senator from Georgia need have no worries about competing with Russia's collectivist system of farming. We do not have to amend any law which we now have. I have before me a copy of Public Law 475. I read the following from page 12:

"The Commodity Credit Corporation may dispose of or cause to be disposed of for cash or its equivalent in goods or for adequately secured credit, for export only, and at competitive world prices, any foreign commodity or product thereof without regard to restrictions with respect to the disposal of commodities imposed upon it by any law."

All we need to do is to give to the Commodity Credit Corporation more power and more money. Today, for example, if Norway wishes to buy 10,000,000 bushels of wheat and Russia has a surplus of wheat, and we in the United States wish to compete with her, the American farmer cannot alone bid against her. Even a great corporation possessed of large sums of money, such as General Motors, Standard Oil, and many of the other great corporations, or even all of them combined, cannot bid against Russia. Why? Because Russia can bid anything she wishes to bid, whereas the corporations of America must make money in order to continue to exist. So we must compete with Russia through the Commodity Credit Corporation or some other corporation which may be created by Congress. In my opinion, there would not be much competition if the head of that corporation had power to sit down with those in charge of the exportation of wheat from Russia and say, "Now, we will supply 5,000,000 bushels and you will supply 5,000,000 bushels."

Tyranny of Lend-lease

From the French Information Service in New York—an agency of the Provisional Government of the French Republic

THE statement by President Truman that the French press was not giving the United States a square deal is a complex one which diffuses from the field of the press into many others.

In so far as it affected the press, it was looked upon by many, both in the United States and the French press, as most disquieting on the part of the President of a country which has proclaimed the freedom of the press one of its four great freedoms; it was considered both in France and the United States with alarm, for differing reasons: in France, because it seemed to be a portent of United States ill-will on the one hand, a threat to international freedom of expression on the other; in the United States because the future of a growing international freedom of the press seemed to be at

stake. Americans, who have made great strides to develop and insure the freedom of their own press internally, know that these gains cannot be consolidated if the press is free only in name in the many other countries of the world. They also feel that such a pronouncement, because it came from so high an authority, was, whether justified or not, an encroachment on the internal freedom of the press of an allied democracy. They also feel that a similar statement, directed at the domestic press of the United States could never have been made. . . .

Should the issue at stake, in the present case, be wholly or partly lend-lease, or loans, the French reply could be that in exchange for material lent, and freedom restored, France furnished the blood of countless martyrs for the common cause of freedom, willingly accepted and still accepts cold and hunger and declining health for its whole population and provided once more a battlefield, the scars of which will never be completely erased. Whatever the real cause or causes of the Presidential criticism, it would be wise to state again, as a basis for a common policy, that understanding is the only known method to reconcile differing views.

Books

Old Age Deferred

WHEN in 1933 the economic doctors surrounded the sick body politic they had many ideas among them, but could agree at first upon only one. That was to make a crude application of the purchasing power theory according to Keynes. The national economy was like a pump. It needed priming with public money. Thereupon the government began to pour the water of purchasing power into the pump. All that came back was a sound of gurgle and sighing.

In common chagrin the doctors then agreed that the fault was in the pump. It was old and tired. Out of this brilliant diagnosis, which saved them all and explained everything, grew the idea of a mature economy—that was to say, a national economy already in middle age, or over, with nothing ahead of it but decline and senility. The best one could hope for was a static time. More to be expected, however, was a series of depressions interrupted only by brief attacks of anemic recovery. Investment opportunities would wither and vanish because there would be no more great adventures, as with railroads and motor cars; that being true, there would be nowhere for people to go with their savings. Thrift, therefore, was to be regarded as a social liability. Oversaving by the people would become a menace. Money would pile up in hoards and for that reason millions who might otherwise be employed, even in the old age of this economy, would be deprived of the means of livelihood. So it behooved the government to gather to itself all excess savings and spend them upon the people in order to feed and clothe and house them beyond anything they would have the energy to do for themselves if they were let alone.

To prove this theory a great economic clinic was organized in Washington. The room in which it was held was lined with terrifying charts, and there was Leon Henderson with a long pointer fiercely belaboring the zigzag lines just to keep them wiggling in the way they were going. Various corporate embodiments of the weary economy were called to be examined, among them General Electric and General Motors. They were asked whether upon getting up in the morning they had that heavy feeling, were their tongues thick and did their backs ache, and did they any more feel that healthy impulse of youth to go forth on reckless errands? Specifically, did General Motors feel the need to borrow any more money from the people for purposes of lively expansion? To this the General Motors Corporation said "No."

"Ah," said the doctors, "you are saying that all the further expansion you can think of is only such

as might be financed out of your own till, without borrowing money from the people. That being the case, what shall people do with their savings?"

Again, specifically, did either General Motors or General Electric have any new and astonishing ideas, such, for example, as the idea of being young and beginning all over again. They confessed they had no such ideas.

"Ah," said the doctors together, "there are no longer any new ideas big enough to activate the economy from within."

For the lay skeptic who was not overwhelmed, this theory of a mature economy was weak in two respects. First, with equal plausibility it might have been deduced from appearances several times before in our economic history, and was in fact deduced sixty years ago by the United States Commissioner of Labor, who in 1886 said:

"It is true that the discovery of new processes of manufacture will undoubtedly continue and this will act as an ameliorating influence, but it will not leave room for a marked extension, such as has been witnessed during the last fifty years, or afford a remunerative employment of the vast amount of capital which has been created during that period. The market price of products will continue low, no matter what the cost of production may be. The day of large profits is probably past. There may be room for further intensive, but not extensive, development of industry in the present area of civilization."

The second weakness of the theory was that if it were true there was nothing to be done about it, because old age is incurable. All that would be left for the great American economy to do would be to build its pyramids and follow Egypt off the stage.

Nevertheless, a scientific refutation of it has been wanting. That now appears in a book by George Terborgh, entitled,* "The Bogey of Economic Maturity," which, besides being a work of brilliant and scholarly research with a definite end in view, must be regarded also as a valuable contribution to economic literature.

In the introduction he asks himself why the theory came to have suddenly an amazing vogue, and answers that question as follows:

"The amazing spread of the new doctrines cannot be properly understood without reference to the peculiar advantage they enjoyed in the patronage of the Federal Government. It was not alone for the public that the theory came at the psychological moment; it arrived just in time to provide a new rationalization for the policy of government spending then sorely in need of fresh ideological support.

"Prior to 1933, Administration spending programs had been justified, so far as they rested on economic arguments, largely as a means of 'priming the pump,' the assumption being, of course, that private spend-

*"The Bogey of Economic Maturity" by George Terborgh, Machinery and Allied Products Institute, Chicago.

ing would 'take hold' and progressively obviate the need for governmental support. The collapse of 1937-38, after four years of 'pump priming,' was an acute embarrassment, calling for an explanation of why the pump refused to stay primed, and for an entirely new rationalization of deficit spending. The need was particularly urgent because of the decision to launch a new spending program. At this juncture the theory of economic maturity came like an answer to prayer. 'It is not a question simply of priming the pump,' its spokesmen declared; 'we are dealing with an economy that is senile and can no longer be *expected* to maintain itself without government support.'

"So providential was this theory that the Administration became at once its ardent proponent and propagandist, and lost no time in arranging for its ceremonial unveiling. This occurred in the spring of 1939 at the hearings of the Temporary National Economic Committee.

"Obviously an unbiased search for truth, these hearings, so far as they dealt with saving, investment, and government spending, were carefully staged by a small group of Administration operatives to exclude all testimony in conflict with the philosophy it was their purpose to promote. Certain prospective witnesses were privately pre-examined to make sure their views were in harmony with the official objective, and were excused when they seemed likely to prove embarrassing. Administration witnesses were coached in semantics by a specially retained expert, who cautioned them to avoid 'bad' words like 'debt' and 'spending' and to speak instead of 'government investment.' Even the term 'mature economy' was taboo. Said Mr. Raymond Moley, after the show was over, 'Nothing ever attempted by this Administration in the field of opinion making has surpassed this maneuver by a small group of minor officials.'"

Then Mr. Terborgh identifies what he calls the six major components of the theory and sets them down as follows:

- "(1) an interpretation of the general relation between saving, investment and income as an analytical framework or premise for the entire discussion;
- "(2) the decline in the rate of population growth;
- "(3) the passing of the geographical frontier;
- "(4) the diminishing influence of great new capital-consuming industries;
- "(5) the increasing relative importance of replacement in capital formation and of depreciation accruals as a source of capital financing;
- "(6) a reinterpretation of the history of the New Era."

One by one he submits these six components to statistical and historical analysis, and one by one they break down, even the two which might be thought at first to have some validity, namely, the decline in the rate of population growth and the passing of the geographical frontier. Of the one he says, coming to his conclusion:

"When the vision of the mature economy finally dawned, the decline of population growth was an old friend of seventy years' standing."

And of the second he says:

"If the 'passing of the frontier' in the United States is simply an event that happened fifty years ago, it is preposterous to make it into a bogey for the future. It is dead and gone, like the mustache cup, or the blizzard of '88. This is so obvious that an effort has been made to stretch the influence of the frontier into the present by the 'afterglow' theory, in this way accounting for the fact that its actual passing was followed by no visible injurious effects. This attempt breaks down, however, from evidence that there has been no significant 'afterglow,' effect since the frontier disappeared. Indeed investment opportunity per capita appears to have been on the whole greater in the older states during the past fifty years than in the younger. This leaves the spectre of the vanishing frontier a bedraggled and disreputable scarecrow."

It is impossible in a book review to comprehend the power and depth of the analyses. Some of them may be hard reading for those not familiar with the analytical methods of the economist. It is enough to say that they support the conclusions separately stated in simple language at the close of each chapter, and support also the general conclusions stated at the end as follows:

"The great depression of the thirties, so crucially important for the theory of economic maturity, lends it little support. The attempt to explain such a sudden cyclical collapse by reference to gradual secular developments of long standing strains credulity, so much so indeed that the stagnationists have felt the need to bolster their diagnosis of the debacle mainly on ordinary cyclical factors unrelated to economic maturity. While the slowing up of demographic and territorial expansion fails to account for the decline of 1929-32, it fails even more signally to explain the halting recovery of the late thirties, when the growth of population and the march of invention had created quite exceptional 'investment opportunity' from a physical and technical standpoint. As for 'oversaving' or 'underinvestment' as an explanation of the depression, these are question-begging words without causal significance."

How did we get along before we ever heard of "compensatory fiscal policies"? How did saving and investment balance each other by natural means without government intervention? Mr. Terborgh notes that they did somehow adjust themselves, subject only to cyclical disturbances, and that natural means of adjustment were able to accommodate an amazing variety of circumstances. We lived through the transition from a primitive agriculture to a complex industrial economy, an evolution of three hundred years, growing richer and more powerful all the time, without either stagnation or any intervention by government to control savings or investment. Mr. Terborgh asks how that could happen. At this point he is looking ahead, and he says:

"The American economy confronts many difficult problems unknown to stagnationist philosophy, and its future will not be wholly a bed of roses even if that philosophy is in error. The system of private enterprise is either dynamic or it is a failure. It is the first task of economic statesmanship, therefore, to create under the altered social, political, and economic conditions of today an environment hospitable to enterprise, sympathetic with its incentives and necessities, sanctioning its rewards. For this will prove in the end the only protection against the continued encroachment of public production and investment."

He is neither optimistic nor pessimistic. Nor is he a prophet. He believes that free people even yet may do what they like with their own economy and do it themselves.—EDITOR.

The Wallace Tract

THE life of Henry A. Wallace has been a series of innocent discoveries. He discovered the world of politics, the New Deal, economics, foreign trade, the Russia we must learn to love, China, and the race of milkless Hottentots. As Secretary of Agriculture in the New Deal he discovered the art of creating scarcity amidst surplus, and the effect of this upon farm prices. The thing to do with surplus, he found, was to kill it—slaughter the little pigs and plow down the cotton. The only difference between his method and the very worst he knew or suspected about the wicked private monopolist was the difference between infanticide and birth control. Then he discovered the refinement of birth control, and after that the business of not producing pigs and not growing cotton became the American farmer's most profitable occupation.

One night during the last Roosevelt campaign he heard the President saying on the radio from Chicago that the postwar goal would be jobs for everybody—60 million jobs. That gave him a great start. He has been telling about it ever since, and quoting the telegram he immediately sent to Mr. Roosevelt, saying: "Your goal of 60 million jobs is perhaps high, but I glory in your daring, and, as you say, Americans do the seemingly impossible. We are predicting you will carry thirty-six states and have a three million popular majority."

The idea of 60 million jobs turned his mind to statistics, which was another discovery; and in a little while, as his wont is, he was making a lecture on statistics before a body of professional statisticians.

Now he discovers abundance. In his latest book* he employs the statistical method to prove that there exists in America the power to produce abundance. He goes further. He proves statistically, be-

yond any rational argument, the following facts: (1) when there is full employment everybody is busy; (2) when everybody is busy there is a large national income; and (3) when there is a large national income there occurs at the same time, by a kind of synchronization, an increase of income for the wage earner, for the farmer, and for the businessman—all three together like that. Having demonstrated these things, he proceeds to show that the idea of 60 million jobs is not so daring after all. This he does with the device of colored charts.

He takes a chart on which the gross national product of wealth for twelve years is indicated by a line which tends all the time to rise, but in an irregular manner, leaving behind it a series of peaks and valleys. Then he lays a ruler from the peak of 1929 to the peak of 1942 and draws a straight line which arrives in the year 1950 at a national product of \$200 billion and 60 million jobs. If his ruler had slipped the result might have been very different. This perhaps is quibbling; but anyhow, between the line he draws with his ruler and the irregular line that represents that gross national product of wealth there is an ugly, misshapen space which he fills in with black and then letters in white with these words: "350 billion dollars of production lost." His point is that if the gross national product of wealth had followed the line that he draws with his ruler instead of going up and down as it did, the country might have been \$350 billion richer. He is eloquent about it, saying:

"The mind of man reels under the impact of such a sum. It is enough to pay in full for 70,000,000 homes at \$5,000 each—more than three times as many as would be necessary to eliminate all the slums in the United States, both urban and rural. It is enough to more than double the capital stock of all the private corporations in the United States. It is enough to build 350 river-valley authorities of the size of TVA. And, as a final example, it is more than the federal debt will be on V-J day."

He does not mention that three fourths of this terrible black-out of wealth that might have been produced and wasn't lies in the New Deal era; that during this era came the Blue Eagle to limit the country's industrial production and the AAA to pay farmers not to produce crops; that in this era the country experienced chronic mass unemployment for the first time.

He does say: "We made greater social-economic gains in the years 1933 through 1941 than in any previous administration in our history."

So now what have you? If with chronic mass unemployment and a black-out of \$350 billion of wealth that might have been produced we had "greater social-economic gains" than ever before in our history, why worry about 60 million jobs? Why not bigger and better unemployment?

Mr. Wallace moves then to his great theme, which

**"Sixty Million Jobs,"* by Henry A. Wallace. Simon and Schuster, New York.

is a national job budget, like Great Britain's, the government to assume final marginal responsibility for providing full employment—that is, 60 million jobs. That is the idea of the Full Employment Act now pending in Congress. He sets up three model “budgets for a 200 billion dollar national production.” In each one of these national expenditures are statistically apportioned—so much to be spent by consumers, so much by business, and so much by government. One he calls the “business boom model.” In that one consumers spend \$140 billion, business for capital purposes spends roughly \$40 billion, and government the niggardly amount of only \$20 billion. But this model has no stability. What is bound to follow is the “business depression model,” in which consumers spend only \$120 billion, business only \$15 billions, leaving the government with a necessity to spend \$65 billion to make up a total of \$200 billion. But the third model, called the “business stability model,”—that is the one. In that one consumers spend \$135 billion, business \$25 billion, and government \$40 billion, or happily a little less. These are all imaginary figures. One who likes may deduce other figures from the text that appears on the book's cover, which Mr. Wallace approved if he did not write. There you read: “Secretary Wallace shows concretely how our system of free enterprise can be made truly free and most effectively enterprising by the application of an ounce of government stimulation to produce a pound of profit-making business.” Taking it to be avoirdupois, one ounce is the sixteenth part of a pound. Therefore, to get a national product of \$200 billion a year the government, in addition to all its natural expenditures, will have to spend \$12½ billion just to keep business stimulated. Taking it to be troy weight, an ounce is one twelfth of a pound, in which case the government's contribution is increased.

Even before its publication this book was indicated for all the phenomena of political halo. It is said to be having a momentous sale.—G. G.

Albert Jay Nock

THE devouring state has lost a gadfly. The political masquerade will miss one who stood always on the curbstone casting derision and mockery upon it, and felt an urchin's delight when a mummer touched his mask with an embarrassed gesture to make sure it had not slipped. And the few who love freedom, knowing what it is they love, are fewer by one.

When he was dying he wrote to the editor of *Analysis* saying: “The quacks have got me down. Better print a note in the next issue saying I am laid up but will go on as soon as I am back in commission. A. J. N.” Then immediately another note

suggesting the reprint of one of his recent essays in place of the new one he was unable to write. The editor acted on this suggestion and reprinted an essay from the *Atlantic Monthly*. It was a review of “The Second Empire,” a book by M. Octave Aubry, lately published in English, and in the middle of the review was this characteristic Nock digression:

“A friend lately told me with great amusement of a conversation with a man who had held a succession of our highest offices, and is supposed to be especially well informed on foreign affairs. This man said, ‘There is one thing about Europe that I simply can't get through my head. I don't understand it. Not one of those dictators has seized power, not a single one. *The people want them.*’

“Apparently so; this eminent man was coming in by freight, as we say. Their reasons for wanting the dictators may seem unsatisfactory to us, but that is not the point. The fact remains that they do; and this being so, is it not of the essence of democracy that these dictators should be where they are and be doing as they do? What, then, becomes of our discriminations in favor of ‘the great democratic countries’? Does the democratic principle need overhauling, or is our devotion to it either ignorant or specious?”

His personal philosophy, amiable, cynical, and uncompromising, is found at the end of what is perhaps his most important book, “Our Enemy the State,” in which he made clear the distinction between government with a little *g* and state with a big *S*. There he wrote:

“But it may quite properly be asked, if we in common with the rest of the Western world are so far gone in Statism as to make this outcome inevitable, what is the use of a book which merely shows that it is inevitable? By its own hypothesis the book is useless. Upon the very evidence it offers, no one's political opinions are likely to be changed by it, no one's practical attitude towards the State will be modified by it; and if they were, according to the book's own premises, what good could it do?”

Nevertheless he would write a useless book for two reasons, one general and one special.

“The general reason is that when in any department of thought a person has, or thinks he has, a view of the plain intelligible order of things, it is proper that he should record that view publicly, with no thought whatever of the practical consequences, or lack of consequences, likely to ensue upon his so doing.

“The special reason has to do with the fact that in every civilization, however generally prosaic, however addicted to the short-time point of view on human affairs, there are always certain alien spirits who, while outwardly conforming to the requirements of the civilization around them, still keep a disinterested regard for the plain intelligible law of things, irrespective of any practical end. They have an intellectual curiosity, sometimes touched with emotion, concerning the august order of nature; they are impressed by the contemplation of it, and like to know as much about it as they can, even in circumstances where its operation is manifestly unfavorable to their best hopes and wishes.”

Faith

**By Thomas F. Woodlock*

AMERICA should again proclaim our faith. We should proclaim our resolution to hold it. We should cease to apologize for it. Our first postwar purpose should be to restore it." (From Mr. Hoover's birthday speech on his seventy-first birthday a few days ago.)

Mr. Hoover is not a person whose habit it is to make overstatements. Nor does he deal in empty rhetoric. He uses a word in the above quotation that should, however, be hammered into the consciousness of the American people. That word is faith. No doubt most of us feel a sort of comfortable sense that we have a vague faith in something which very few of us probably, if challenged, could state in clear and definite terms. This is an astonishing thing because the fact is that we have a clear and definite creed stated for us at the very founding of our nation, by men who knew exactly what they were doing and stated it in the plainest terms. The American idea is no mass of cloudy, fanciful, pleasant, high-sounding generalities. On the contrary, it is a definite, coherent, tightly linked mass of the most important possible affirmations. We have it in the Declaration of Independence. The Preamble to that document is literally a form of credo in terms exact enough almost to satisfy an Athanasius. These affirmations are all-embracing. How many of us ever stop to examine them? They begin with a positive statement of belief in God as the Creator of men. They point out that the Creator definitely singled out his human creatures from the great mass of living beings by clothing them with a tremendous importance. He endowed them with something that no other living being on this earth possesses, namely rights. The whole purpose of civil government, so our creed points out, is to secure these individual creatures in the possession of these rights. It states definitely this purpose in unmistakable terms. Now the implications in these statements are enormous. The important point is that they all rest upon the unique value of a human being. It is in this unique value that human beings are equal; in every other respect they are wholly unequal.

The Founders, moreover, did not say "we believe" or "we opine" that the truths which they enunciated were true. They boldly stated them as self-evident. Technically, the expression is faulty, for in the strict sense of the word extremely few things are self-evident. They regarded them, however, as being so plainly evident on the face of the facts as to

admit of no denial. If one unpacks the implications contained in them there arises what is substantially a fundamental religious doctrine. Man has these rights because God created him to have them.

If the creed thus contained in the Declaration's Preamble be not a complete series of fundamental affirmations all resting upon a Creator and a Divine purpose, words have no meaning. Moreover, in that creed lies the whole theory of what we like to call our democracy. Its essence is that the least important human being possesses a right assuring his liberty against all the world. That right is to justice, and freedom is inseparable from justice. A curious thing in the pagan mind was that it sensed the principle of the nontotalitarian state but never carried it through. "Let justice be done though heavens fall" expressed its essence. The lowliest human being was entitled to justice—that is to his due, as the old definition had it—no matter what the consequences were to all the rest. The Greek and the Roman states, set up as they were by a sort of democratic process, were in fact treated as absolute, omnipotent and totalitarian. Yet the philosopher who uttered that phrase about the heavens was a step beyond that notion. We, for the first time in human history, set up a nation based upon a complete creed of human freedom.

Now, what Mr. Hoover says and rightly recognizes as a terrible danger is that we have lost, or rather many of us have lost, our faith in our creed. The truth of the matter is that democracy as we understand it depends upon that faith and that faith in its entirety. Its first principle must be the right of the individual to justice against the world. The present writer will venture the statement that that notion of justice to the individual is essentially a religious notion and can live only with a live religion. He is convinced that where religion has been weakened the democratic values at once lose their efficacy and proceed to disintegrate. Disintegration may be slow at the start but once it sets in it is but a short step from freedom to despotism. In calling, therefore, for a renewal of faith in our American ideals Mr. Hoover is sounding a note that needs to be heard far more widely and clearly than it has been heard of late years. We need it for ourselves, but we need it additionally for our dealings with the rest of the world. We represent to the nations the idea of democracy at its best. We need to take care that the picture we give them is true and clear and that we ourselves believe in it. Surely our great parties ought to be able to agree on a thing like that.

**This was Mr. Woodlock's last piece in The Wall Street Journal. He died on Aug. 25, 1945.*

Departing Freedom

**By Hatton W. Sumners, of Texas, Chairman of the House Judiciary Committee*

WE MUST agree that whenever we propose to bring to Washington a power that heretofore has resided in the states, the contemplated transfer of that power is perhaps more important than the particular matter proposed to be dealt with. As power is more and more taken from the states and moved to Washington these transfers become more and more important. . . .

The control of the qualification of voters has been with the states since the organization of the government. That statement will not be challenged. We are now proposing to transfer that exclusive control from the states to the Federal Government—and in order to do that we are going to violate the plain language of the Constitution. . . .

Each time where in our governmental history before this it has been deemed advisable to establish a new limitation upon the power of States to control election qualifications it was recognized that it could not be done as here attempted, by act of Congress, but had to be done by the States themselves. . . .

So we have this situation. We have the clear language of the Constitution and we have the interpretation of the men who helped to fashion the Constitution and the men who discussed it when the States ratified it; we have the philosophy of democratic government and we have the clear-cut decision of the Supreme Court holding that this proposed legislation is unconstitutional.

If you do succeed in breaking through the constitutional barrier, ignoring the interpretation made by the contemporaries of the Constitution, its practical interpretation since its adoption and the decisions of the Supreme Court, and should secure judicial approval you would then have a situation under which there would be no effective restraint upon the power of Congress to fix the qualifications of those who vote. The power to fix it down is the power to fix it up. You would be putting into what is coming to be a great federal bureaucracy the power to deny the states the right to control suffrage. They are the organizations that are close to the people.

This attack is being made upon the Constitution in the name of the poor man. I want to call to witness the history of the ages, that they are the sort of people who suffer most when constitutional government is destroyed. . . .

As I see the picture in the world today, I recognize that my country, perhaps, stands as the last great independent constitutional government in the

world. I see a time that has come now in the history of my country when the Constitution is no longer revered among the people—not much. I wonder, too, if your Nation and my Nation is to be added to the list of those from which freedom has departed. It departs with the departure of constitutional government.

Barren Man

From a review by John Chamberlain of Charles A. Beard's book, "The Economic Basis of Politics"

TO PUT the matter into pamphleteering terms, what Beard has done in his new chapter is to pose a paradox: unless "economic man" has a "high degree of independence as against the state," there will be no artistic man, no inventive man, no creative man, no spiritual man. There will only be barren man, struggling hopelessly to bring enough fruitfulness out of the soil and out of technology to support the political man and the military man. The declining standard of living that necessarily results from proliferating restraints on human energy and creativeness must end with the stultification not only of the economic agents of society, but of the political and military agents as well. The despot signs his own long-run death warrant.

Republication of Beard's book suggests another thing: that instead of traducing "economic man," as has been the fashion of late, we need more of him. Politics is better, cleaner, less coercive, when it is a reflex of jostling economic forces than when it is the total master of these forces. Paradoxically, the men of 1787 were spiritually and morally great because they recognized the truth that material interests need free scope in society.

Magic Formula

By Prof. Hartley L. Lutz

WHEN one puts together the bugaboo of the mature economy, the seduction of the government guarantee and the bludgeon of destructive taxation, their cumulative effect upon the spirit of enterprise is tremendous. That there should be any spark of vitality left would be amazing, were it not for the reflection that people have lived for long periods in the catacombs.

Instead of all the talking and planning that is now heard about how to save or to restore and stimulate the enterprise system after the war, a short and simple formula is offered here as being all that is necessary. This formula, addressed to every citizen, is as follows:

If you want to make a dollar by any honest means you are free to try, and if you succeed you may keep it.

*From a speech in the House of Representatives against abolishing the poll tax by an act of Congress.

The California Dilemma

By Samuel C. May

Director of the Bureau of Public Administration, University of California

THE reconversion problem in California (somewhat similar in other Pacific Coast states) differs from that of other parts of the country because of three main factors:

1. The tremendous net increase of population between 1939 and 1945—more than 1,800,000 (exclusive of military personnel);
2. The tremendous expansion of employment in war manufacturing and Federal Government civilian employment related to the war, of which probably 90% will disappear during the reconversion period;
3. The small percentage of prewar employment in heavy industries as compared with trades, services, and the production of consumer's goods. California did not convert existing industries into war work but superimposed these huge industrial establishments on the existing economy. California, therefore, does not have the problem of reconversion in the sense that heavy industries existing before the war were curtailed and can, with the cessation of hostilities, resume their production. Postwar industrial expansion in California would require the creation of entirely new capital investments in activities which were nonexistent in 1939-40.

The table below disregards detailed statistics but gives approximate figures from authoritative sources, which in every case are conservative so as to underestimate rather than overestimate the probable unemployment. The method of presentation is to indicate employment during the peak of war production, to estimate the number who will lose their wartime positions, and then add to this the number of servicemen who will return as part of the labor force. This method gives an approximate total of 1,550,000 individuals who will either leave the state, leave the labor market, find employment, or be unemployed.

The Great Increase

Total civilian employment in California increased from approximately 2,500,000 in the spring of 1940 to approximately 3,500,000 in the autumn of 1943. Nearly all of this increase was in manufacturing, which jumped from approximately 400,000 in 1940 to approximately 1,200,000 in June 1943, and in Federal Government civilian services, which increased from approximately 50,000 in 1940 to over 300,000 in June, 1945 (chiefly in arsenals, supply depots, Navy yards, hospitals, and other war services). Employment in transportation, communications, and utilities increased from approximately 185,000 in 1940 to approximately 275,000 in June, 1945 (due to the flow of war materials and the military forces as part of the war effort). Although agriculture, forestry, and fishing increased from approximately 270,000 in 1940 to 300,000 in 1943 and approximately 350,000 in 1945, all other employments, such as mining, construction, and trades and services, remained fairly constant from 1940 to 1945; mining decreased from 45,000 to 35,000, construction 140,000 to 125,-

000 and trades and services increased from 1,170,000 to 1,200,000. It is quite apparent from the above approximate figures that the great increase in employment was in manufacturing, federal employment, and transportation. The growth in manufacturing was preponderately in ships and airplanes, which totaled at the peak in 1943-44 (including subcontractors, clerical help, and servicing) approximately 800,000 employees.

Airplanes and Ship Construction

Because of the tremendous surplus which we will have in ships and planes following the war, it cannot be expected that these two industries can hope, under the most favorable conditions, to operate at more than from 5 to 10% of their peak employment. In order that the estimates set forth in the figures below may be most conservative, the number of people estimated to lose their positions (from the peak of airplane and ship construction to the conclusion of reconversion) is placed at 700,000, and no figures are added for the reduction in other war industries.

Armed Forces

Approximately 650,000 Californians have entered the Armed Services during the war period, in addition to approximately 230,000 who came to California to engage in war industries and were later inducted into the Armed Forces, or a total of 880,000. Surveys which have been made by the Army authorities indicate that practically all of the inducted Californians plan to return to California, and it has been further estimated that approximately 250,000 from other states who have become acquainted with California through military service in the state plan to make California their future home. Should the United States Government maintain, after approximately a year or a year and a half, Armed Forces of 3,000,000, or approximately one fourth of the present size of the Armed Forces, this would indicate that three fourths of the 650,000 would return, or nearly 500,000. It is believed that one is justified in adding a minimum of 50,000 from the additional 230,000 who were inducted from California who migrated here for war work and an additional 50,000 from the approximate 250,000 who, having been stationed in California, have expressed their intention of making California their future home. This would make a total of 600,000 returning servicemen.

It is estimated that at least 200,000 of the 300,000 federal civilian employees in 1945 will lose their positions. This would still leave 50,000 more federal civilian employees than were located in California in 1940.

Transportation, Communications, Utilities

It is estimated that at least 50,000 of the 100,000 increase of employees in transportation, communications, and utilities will lose their positions with the cessation of the movement of troops and materials to and from

the fighting fronts and the handling of military personnel and war production within the state.

Keeping these factors in mind, the accompanying figures are presented.

Estimate of Probable Postwar Unemployment in California, 1945-1947

	Prewar Employ- ment 1939-40	War Employ- ment at Peak	Estimate of War Workers Who Will Be Displaced Plus Returning Servicemen in Labor Market 1945-47
Airplanes and ship construction.....	50,000	800,000	700,000
Armed forces.....	Very few	650,000 230,000	600,000
		880,000	
Federal civilian employees	50,000	300,000	200,000
Transportation, communications, and utilities....	175,000	275,000	50,000
Total workers displaced.....			1,550,000
At least the above total number of workers will either:			
1. Withdraw from the labor market.....			200,000
2. Leave the state.....			100,000
			300,000
3. Find employment } or 4. Be unemployed }			1,250,000
To this can be added marginal employment existing during the war peak.....			
			50,000
			1,300,000
If trades and services employment increased 250,000..			
			250,000
This would still leave total either unemployed or to be absorbed by new industries, public works, and construction.....			
			1,050,000

Thus, over a million workers would have to depend upon the expansion in industry and temporary employment on public works for their livelihood or be *unemployed*.

Women

The number of women employed as "factory wage earners" in all manufacturing industries in California at the peak of the war effort was approximately 235,000 (300,000 including clerical and salaried workers) 70,000 of which were in nondurable or consumers' goods and approximately 165,000 in heavy or durable goods. The increased number of women in nondurable goods was not very marked. The total increase in employment of women in *all* occupations was approximately 400,000, but this includes the shifting of employment in trades and services and federal civilian employment. It is likely that women will seek to maintain their existing positions in trades and services and federal employment. Extensive surveys indicate that a very large majority of these women plan to work in the postwar period if jobs are available. It is doubtful whether more than 150,000 women will withdraw from the labor market, but if such were the case and an additional 50,000 minors and elderly people also would withdraw, or a total of 200,000, it would reduce the total of those who would be seeking employment to 1,350,000.

It is impossible to estimate the number of people who will leave the state, as there are many indications that California's population would continue to increase even during times of depression. (This was true during the 1930's and has also been true during the recent decreases in employment from the wartime peak.) But let us suppose that 100,000 more workers leave the state than come

in during 1945-47—there would still be the problem of finding jobs for 1,250,000 people. This supposition would mean, of course, a loss of approximately 200,000 in net population, as the California pattern (including single workers) is a family of approximately two.

Analysis of Opportunity

We are now ready to inquire just how this 1,250,000 people might be employed. Surveys which have been made indicate that agriculture, mining, forestry, etc., will not increase their present employment by more than a few thousand. It can be assumed that there will be a large expansion of employment in the trades and services, which since 1940 have employed the fairly constant number of approximately 1,200,000. If the normal proportion of employment in trades and services to total employment in California should prevail in 1946-47 that existed in 1940 and we assumed a 20% increase in population between 1939 and 1946-47, this would indicate an increase of approximately 250,000 people in trades and services. There would remain 1,050,000 unemployed.

It might be contended that the accelerating national trend toward a larger percentage of the labor force in trades and services due to technological advance, as compared with manufacturing and agriculture would justify adding another 50,000, to be employed in trades and services, and that a shorter work week would also absorb more employees; but this increase in turn would be more than offset by the very great technological advance in *all* employments since 1939. An extremely low estimate would be 10% for technological advance. This would reduce by that percentage the employment needs.

The continued and sustained employment of 1,050,000 people (in manufacturing) at the generally accepted average of \$6,500 per employee would require an *initial capital outlay investment* for plant and equipment of at least \$6,500,000,000. This is three times as much as the annual average capital expenditures for plant and equipment as were invested over any three-year period of the boom 1920's for the *entire United States*, and approximately five times as much as the average annual investment between 1930 and World War II for the *entire United States*.

There will, of course, be a large increase of employment in construction, in both public works and housing. It is generally accepted that about \$5,000 (1942 dollars) will employ one man per year on-site and one man per year off-site in both road building and home construction. If the State of California expended \$200,000,000 on public works, this would employ approximately 80,000 men for one year. But it must be remembered that this is only a "stop-gap," as most of this construction would not provide a continuing employment beyond the period of construction, such as would be the case in resulting employment following from the construction of manufacturing plants and equipment.

So, the Problem

It must be evident from the above figures that California faces a very serious unemployment problem during the readjustment period and that this problem might continue for a number of years unless great sums of capital were expended in the creation of new industrial plants and facilities for putting people to work. It is hoped that the

existing plants and facilities devoted to airplane and ship construction might be converted to the manufacture of civilian goods, but it is quite evident that this presents a very difficult conversion problem. There are some factors which will gradually alleviate the situation, such as the very extensive tourist travel that California has always enjoyed and the development of shipping and trade with the Orient, etc. But taking the most optimistic interpretations of the factors set forth above, it is wishful thinking to conclude that California can avoid a very severe unemployment problem.

California's problem will be different from that of the eastern or middle western states where conversion will mean the return of industrial concerns to the large scale peacetime production (with modifications) for which they were originally established and for which they have retained capital, plants, organization, and experienced personnel. States east of the Rockies will not have the added problem of increased population.

California cannot convert or expand prewar heavy industry, but must inaugurate a completely new industrial structure with all the difficulties of obtaining capital for undertakings still to be planned, financed, organized, and developed.

It is not improbable that much of the country could be prosperous while California and the rest of the Pacific Coast were experiencing extreme economic difficulties.

A tremendous amount of capital has been saved during the war and should be ready for investment throughout the country. California's immediate future will depend upon whether this capital will flow into the expansion of eastern concerns concentrated and controlled in the eastern part of the United States or whether it can be encouraged by favorable conditions to come to California in sufficient quantities and in ample time to absorb the manpower increased by recent migration as it is released from war industries and from the Armed Forces.

The past experience of California would indicate that well-established eastern industries would not welcome manufacturing on the Pacific Coast and, except for the establishment of branch plants, would in all probability resist such competition. The close connection between private credit and banking institutions with eastern industry with its established investments to protect increases the difficulty of the problem for California.

Unless capital flows speedily and in tremendous amounts to California at the close of the war, we will have an unprecedented unemployment problem.

This would necessitate governmental action through public works and services, unemployment reserves and relief for those who do not migrate to employment opportunities in other parts of the country.

This, in brief, is California's economic problem in the immediate postwar period. What can be done to alleviate the situation? What are the respective responsibilities of private enterprise and government in meeting these conditions?

What To Do

Although there seems general agreement that it is desirable that employment be furnished by private industry rather than through governmental action, there is no escape from the conclusion that government will be called upon to

strengthen, supplement, and assist private industrial effort toward postwar adjustment.

Regardless of one's philosophy concerning the normal peacetime relationships between government and industry or between federal and state government, it can not be too strongly emphasized that the *immediate postwar period is part of the war*.

It is universally agreed that war is a crisis which compels government to plan, finance, supervise, and control the production needed to furnish the mechanized equipment with which to turn the wheels of war. It is also universally agreed that the Federal Government has the primary responsibility for the military and industrial effort.

Our great industrial strength has been evolved under a system of private enterprise, and the overwhelming majority of the American people insist upon private enterprise with its opportunity for initiative to continue to be our way of life. But it would be unwise not to realize that the remarkable achievement of American industry during this world war was possible only under the temporary suspension of much competition based upon price and the substitution of unity and cooperation under federal supervision directed toward the single purpose of winning the war.

The airplane plants and shipyards did not develop in California under normal competitive conditions. They came to California because the Federal Government under its war powers planned and directed their location, financed their construction, and contracted for purchase of their entire product. The State of California cooperated loyally in this war effort, but the migration of 1,800,000 people to this state was the direct result of the Federal Government's war effort.

The Aftermath Is War

The war is not over when the guns stop shooting—the soldiers must be brought back from the far corners of the earth, demobilized, and placed back in the economic life of the nation from which the Federal Government drafted them. Likewise, the Federal Government has a responsibility, as part of the costs of the war, to cooperate in every possible way in bringing back to normal the economic conditions which have been necessarily, but in some places severely, disrupted by federal war effort. This is both a moral and a legal responsibility.

Aside from the suffering and loss of life occasioned by battle, the immediate postwar period can be more difficult than the fighting period itself. It is much easier to plan greater and greater production regardless of cost when the government has the cooperation of a patriotic people willing to make individual sacrifices in order to reach the single objective of winning the war. To secure unity and cooperation, to secure economic stabilization after the military victory has been won is much more difficult. But it is just as important as victory itself.

Our justified pride in the self-reliance of the people and the government of the State of California or our interest in state's rights under the federal system in normal times should not prevent us from recognizing that California will need help in the immediate postwar period. This does not, of course, mean that California should not do everything within its power and ability to meet the situation.

Its immediate need is to evaluate carefully the situation it will face, consider realistically its own available resources for meeting the problems, and where its own resources seem inadequate, devise desirable programs in which the Federal Government can cooperate.

The Case for Aid

Many of these problems will be similar to those of other western states. There should be the closest cooperation in reaching agreements on programs which can be suggested to the Federal Government as especially applicable to the Far West. These programs need not mean federal encroachment either in increased control of private industry or federal control of the states. There are many methods by which the strength of the national government could help California industry to help itself.

Although the Pacific Coast may not be able to compete with the East in all industry, there are certain types of industrial activity not fully developed in the East for which the Pacific Coast may have decided advantages. If the national government could encourage the investment of private capital through regular banking and investment channels by guarantee of loans (similar to the federal guarantee under the Federal Housing Administration) to certain industries which research, investigation, and experience indicate could be pioneered here, it might be a great factor not only in providing employment during the postwar period but in inaugurating a sound and permanent industrial future for this part of the United States.

The state and locality involved could join with the Federal Government in underwriting a portion of the risk through state machinery set up for that purpose.

Government-owned plants might be operated by private industry on a lease or managerial fee basis in order to provide employment until the ultimate disposition of the government-owned plant could be determined with economic validity based upon experience.

A carefully timed program of needed public works will provide some employment, but in the last analysis public works act as a temporary balance wheel and cannot sustain an economy over any considerable period of time.

The Climate Survives

Increased trades and services will be helpful, but these will be dependent upon purchasing power, which must rest upon the foundation of agricultural or industrial production—or money brought in from outside the state. Every effort should be made to utilize our great scenic and climatic advantages to attract tourist travel.

California must either greatly expand her industrial and agricultural production, lose much of her recent expanded population, or carry a tremendous burden of unemployment during the immediate postwar period. What will be needed above everything else is cooperation between labor, industry, agriculture, business, and government on all levels on a scale at least commensurate with that which we have witnessed during the war itself.

"The United States is now definitely recognized as a leading Mediterranean power," Dr. Nicholas G. Mavris, expert on eastern Mediterranean affairs, said here in his lectures at the University of Wyoming Institute of International Affairs.—*From Apollon, organ of the Pan-Rhodian Society of America.*

Great Britain

Bucks, Eng., 10th Sept., 1945.

Dear Dr. Jordan:

You ask for my observations and impressions about the probable course which the Labor Government is likely to take in connection with matters of domestic policy and foreign commercial policy. Let me deal with domestic policy first.

As an industrialist (or perhaps I should say an ex-industrialist, because I have now retired from the Chairmanship of Rowntree & Co., Ltd.), I am not alarmed at the advent of a Labor Government. I think that the avowed ultimate objective of the Labor Party, namely, the nationalization of all means of production, distribution and exchange, would if achieved have the most disastrous results. Such a policy would turn Britain into a totalitarian state—as totalitarian as Russia—and it would sound the death knell of liberty.

But I am not frightened of Labor's ultimate objective, because I feel confident that it will never be achieved. Long before this could happen the British people would rebel against it. Love of liberty is too deeply entrenched in their hearts and minds to make it possible for any government to pursue a policy which would destroy it.

There is no strong feeling in the country against the nationalization of the Bank of England and certain basic industries such as coal, transport, steel and iron. You will doubtless have seen that Winston Churchill said in the House of Commons that "the nationalization of the Bank of England does not raise any matter of principle, and if the nationalization of the coal mines is the best way of securing a larger output of coal at a cheaper price, the plan will be approached sympathetically by the Conservative Party."

My own feeling is that the Labor Party, once the responsibility for carrying out a policy is placed squarely on their shoulders, will proceed with great caution, and I am inclined to agree with the view expressed in *The Economist*, that there is more danger that they will be criticized by their supporters for moving too slowly than by the public at large for moving too fast.

There is no doubt that the trade unionists will put great pressure upon the government to shorten hours and raise wages. It would be disastrous to adopt any course which would raise the cost of production, because Britain is going to have a very difficult task in increasing her exports to the degree necessary to enable her to pay for goods which she must import, both food and raw materials. Cripps at the Board of Trade is a realist and will not support any policy which is going to cripple industry, and I think that the government as a whole will appreciate the fact that wages must not be allowed to rise unduly nor must hours be shortened unduly. It will be easier for a Labor Government to resist pressure exercised to attain these ends without causing strikes and serious labor unrest than it would have been for a Conservative Government.

Passing now to your question about the probable attitude of the Labor Party with regard to foreign commercial policy, I cannot express an opinion on this with anything like the same confidence as in the case of domestic policy. I feel pretty sure that my opinion with re-

gard to that is right, but I don't think that we yet have had convincing evidence concerning Labor's attitude to foreign commercial policy. There is, however, no evidence that we have anything to fear in this connection.

The four men who will be primarily concerned with working out this policy for the consideration of Parliament are the Prime Minister, the President of the Board of Trade, the Chancellor of the Exchequer, and the Secretary of the Department of Overseas Trade. All of these are highly educated men; none of them, I think, will take narrow insular views. You may not know the reputation of Professor Marquand, Secretary, Department of Overseas Trade. In case you don't, I may tell you that he took first-class honors in Economics at Cardiff University. These men will, of course, make use of the experts in their various departments and will be largely guided by them. Evidence of this is afforded by the fact that in connection with the negotiations now going on in Washington, Keynes and Halifax have been sent to represent Britain.

There is another matter to bear in mind regarding the question under consideration, namely, that the character of the Labor Party in this government is very different from what it has been in the past. It comprises a very large number of educated people—industrialists, lawyers and others. It does not consist for the most part of trade union secretaries as the old Parliamentary Labor Party did.

Reviewing the matter as a whole and with such evidence as is now available, I think it is pretty safe to assume that if other countries render it possible, the Labor Party will favor a policy which leads to the freest possible exchange of goods between different countries. They will recognize that prosperity here depends upon prosperity abroad and will work to that end.

I am, with kind regards,

Yours sincerely,

B. SEEBOHM ROWNTREE.

P. S.—Since posting my letter to you I have read the report of the speech by Sir Stafford Cripps, the President of the Board of Trade, on the question of trade policy. As this deals specifically with the question of the government's foreign commercial policy, I think it is desirable that you should see it.

The speech referred to in the postscript, reported in the London Times, Sept. 10, was in part as follows:

"Sir Stafford Cripps, President of the Board of Trade, was the principal speaker at a conference of the Lancashire and Cheshire Federation of Trade Councils held at the Tower Circus, Blackpool, yesterday. None of us, he said, were any longer unaware of the extreme difficulties that confronted the nation . . . We willingly and advisedly destroyed our peacetime economy to play our full part in the war, and the measure to which we carried this destruction could be well illustrated by a comparative figure. We all knew to what an extent our friends in the United States made sacrifices for the same purpose, and yet the consumption a head of our civilian population in this country in 1944 was 15.20% below 1939, whereas in

the United States of America it was 10-15% above that of 1939.

Danger of Borrowing

"It might appear to be a simple remedy to borrow freely from others and so finance all the imports we required. But we must look farther ahead than that. Even if some arrangement could be made, as had been suggested, to reduce or fund that indebtedness, it would still mean a heavy load of demand upon our exports, not to bring in fresh imports, but to pay for what we had already consumed. . . .

"We must set to with every available effort to increase our production of civilian goods for our home and export markets and during this period of rebuilding, we must recognize that we could not have all we would like for our own consumption at the same time as we built up our export trade. . . . Exports could not, of course, have an absolute first priority, but, having decided upon the standards which we at the moment could afford at home, we must then concentrate upon selling all we could abroad. There was a nice balance to be struck, not only between home and export markets, but also between different export markets so as to preserve our good will and to lay the foundations for those stable future foreign markets which would survive after the first scramble for goods had died down.

Chronic Obsolescence

"Even before the war many of our industries were hopelessly behind their overseas rivals, and that position had during six years of war grown steadily worse—with the exception of the engineering industry. Workers became frustrated because this inefficiency sterilized their wages at a low level, and this led to clashes between employers and employees.

"The government had stated that, provided industries would take all the necessary steps for their own reorganization, we would help them to win through to real efficiency, which implied that we must have first-class, well trained, and highly skilled managements, the application of the latest results of scientific and technical research, and efficient production. Far too little attention had been given in the past to the design aspect of our manufactures and it was for that reason that the Design Council had been set up and financed by the government.

"The government desired to deal with all these problems upon the basis of a tripartite partnership—employers, employees, and the government. It was proposed to set up working groups in the different industries to formulate a plan for action, the more urgent taking priority. Each group would consist of three equal parts, representatives of employers, of trade unions, and of the general public interest. The first and second sections would be chosen from a list of nominations by the employers and trade union organizations respectively; the third section, together with a chairman, would be chosen by himself. He would ask them to deal with the matter as one of extreme urgency, and he would expect them to sit more or less continuously until their job was completed.

Whatever Compulsion

"When their reports had been received and studied by the Department, they would have to lay down the mini-

mum requirements placed upon the industry in the national interest, and then it would be for the partnership to see that those requirements were carried into effect. Whatever powers of control or compulsion might prove necessary, these must rest in the hands of the government, and so be under the supervision of Parliament. They must not be placed in the hands of the industry itself, which would tend to have more regard for its sectional interest than for the national interest."

Canada's Misgivings

The Financial Post, Toronto

AT OTTAWA the widely held view of officialdom is that we can take it for granted that Empire preferences are doomed. Washington is reported as trying to make a condition of substantial aid to Britain the complete elimination of the Empire preference system.

The basic reason for the indifferent or fatalistic attitude of Canadian officialdom is this: They point out that tariffs and tariff systems of any kind have become of secondary or even negligible importance as determinants of international trade. Governments, they point out are everywhere using many other devices for regulating international relationships, both political and economic; devices like exchange controls, import and export control and quota systems. In other words, they point out, governments now have, for the management of foreign trade, devices which may be easier to use than tariffs and which can and do short-circuit and supersede tariffs.

That argument is sound as far as it goes. It finds much added weight in the fact that a socialist government is in power in Britain and, unless it is to ditch completely socialist trade theories, that government can be expected

to employ devices which override tariff arrangements. But this easy fatalism that would let the Empire preference system be washed out without comment seems to us neither realistic nor farsighted.

One basic economic fact for Canada is that we must do a vast export business for survival; that our national prosperity varies directly with the success with which we trade abroad; that our main export markets are overseas and, primarily in the British Empire. War and its effects have done nothing to change that basic fact.

A second basic economic fact for Canada is that Empire preference has had a great deal to do with bringing to this country branch plants of United States concerns, hence in providing employment for tens of thousands of Canadians; strengthening and enriching our nation.

Canada now seems to be on the verge of another great period of expansion, much of it to be provided by American capital in the form of branch plants, provided governments do not entirely upset established trade relationships . . .

It is perfectly clear, and not surprising, that the United States is using her tremendously strong physical and credit position to get the rest of the world to do what she wants.

But with respect to Empire preference, it could very properly be pointed out that these tariff arrangements originally resulted directly from the United States succession of tariffs which steadily raised the barriers against world trade; that it was this series of monuments to economic nationalism which forced Canada to take some self-protective action in organizing the Empire preference system.

Currently, it is true, United States policy shows sincere devotion to the principle of freeing the bonds on trade. But Canada and other countries may well be forgiven, in view of the record, if we lack complete confidence in the United States holding to its new-found trade policies indefinitely; if we kept an anchor to throw out to windward.

Robinson Crusoe on Unemployment

I HUMBLY crave leave to lay these heads down as fundamental maxims, which I am ready at any time to defend and make out. 1. There is in England more labor than hands to perform it, and consequently a want of people, not of employment. 2. No man in England, of sound limbs and senses, can be poor merely for want of work. 3. All our workhouses, corporations and charities for employing the poor, and setting them to work, as now they are employed, or any Acts of Parliament, to empower overseers of parishes, or parishes themselves, to employ the poor, except as shall be hereafter excepted, are, and will be public nuisances, mischiefs to the nation which serve to the ruin of families and the increase of the poor. 4. That it is a regulation of the poor that is wanted in England, not a setting them to work.

The poverty and exigence of the poor in England is plainly derived from one of these two particular causes—*casualty* or *crime*. By casualty, I mean sickness of families, loss of limbs or sight, and any, either natural or accidental, impotence as to labor. The crimes of our people, and from whence their poverty derives, as the visible and direct fountains are: 1. Luxury. 2. Sloth. 3. Pride.

—From a pamphlet by Daniel Defoe, written in the year 1704.

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Published during 1945:

The Management Almanac, 1945

The Economic Almanac for 1945-46

The World's Biggest Business—American Public Spending, 1914-1944

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