THE WORLD THE DOLLAR BUILT

By Gunther Stein

MADE IN JAPAN (1935)

FAR EAST IN FERMENT (1936)

THE CHALLENGE OF RED CHINA (1946)

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TO MY WIFE

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FREE ENTERPRISE

I The Leader of the World

'The problem of Russia is . . . a question of our own fitness to survive . . .
'The essential question is one which we should have to answer if there were not a communist alive. Can we make freedom and prosperity real in the present world?
'If we can, communism is no threat. If not, with or without communism, our own civilization would ultimately fail.'

Henry L. Stimson,
former U.S. Secretary of War
September, 1947

HOW TO LIVE IN THE SAME WORLD WITH THE AMERICAN giant has been one of our greatest problems ever since the war came to an end.

Americans, a mere six-and-a-half per cent of mankind, came to have virtually half of the world's economy within their borders. They harvested one-third the grain and half the cotton grown on earth, melted fifty-five per cent of the world's steel and other basic metals, pumped seventy per cent of its oil, used fifty per cent of its rubber, generated forty-five per cent of all mechanical energy, produced sixty per cent of the world's manufactured goods—and enjoyed forty-five per cent of the entire annual income of humanity.

At home, when the world awoke to its post-war 'normalcy', Americans owned close to half of the world's developed wealth.

Abroad, their private investments in the mines and oil wells, forests and plantations, factories and power plants, shipping and railways of other countries—to say nothing of the debts foreign governments owed the United States—equalled the combined national wealth of fifteen member states of the United Nations, one-third of its entire initial number.

From her mere six per cent of the world's land, the United States spanned the globe with a vast network of airbases at the disposal of the world's largest long-range forces of bombing and transport planes, with a navy dwarfing the total of all other nations' fleets, and with strategic outposts for her great land forces—all of them backed by the largest armament potential on earth.

How other nations would make their way in that new world, develop, compete and live, how the Soviet challenge and the 'backward' regions' quest for freedom and progress would be met, how safe the hard-won peace would be—all this would largely depend upon America. Not so much upon her mere intentions for a peaceful, progressive, co-operative world as upon the course her giant economy would take, upon the domestic and foreign policies it would impose on Washington, and the reactions those policies must evoke abroad.

* * *

Despite all the unexampled wealth and power of the United States, the leaders of American business faced the post-war world with a deep sense of insecurity, with the fear of being isolated. Many of them, as an article in the *New York Times* Magazine Section put it on November 10, 1946, actually considered themselves in the difficult position of the Soviet leaders nearly thirty years before—'trying to maintain capitalism, as they were trying to maintain communism, in a single country'.

For the world was in the throes of social and economic change; and the American people themselves were anxious for reform of the economic order of the United States, in tune with this global trend.

Most nations were trying, or hoping, to turn away from private enterprise, toward some form of socialism—at the very time when American business needed more than ever free access to foreign outlets for its surplus goods and surplus capital; when the prosperity of America's own half of the world economy depended more than ever upon freedom of action in the other half; when it was clear that the established rules of the economic game of *laissez faire* could not long survive in America if they were abolished in most of the outside world.

In country after country, governments were taking trade away from merchants, plants from industrialists, railways and banks from financiers. In one way or another, they wanted to plan their nations' economic lives and do what private enterprise everywhere had failed to do: develop and use their maximum productive powers, eliminate the danger of depression and give their peoples full employment, steadily rising living standards and economic security. None of these governments wanted to shut off international commerce. But whatever their political hue, all were trying to soften the impact on their economies of the always unstable American giant, to direct their foreign trade according to domestic wants and plans, to decide how much and what and where and on which terms their nations were to buy and sell and barter, and to determine whether and on what conditions the capital investments and the private enterprise of foreign interests were to be admitted.

During the early post-war years it was not so much Soviet collectivism as the example of Britain's experiment in Labour Socialism that caused American business the great 'misgivings about the future of the United States in a world of progressive statism', of which the *Wall Street Journal* wrote on December 20, 1946. For the new reform trend threatened to engulf other nations of great importance to American trade and investment. It might eventually bring together a group so great and mutually complementary that the result would be another powerful economic bloc—as resistant to the influence of America's own half of the world economy as the Communist bloc, and possibly on sufficiently good trading terms with the Soviet sphere to fence in the free enterprise of the United States even more. 'Welfare-statism' on the British pattern, spokesmen of American business alleged, would actually be the 'stalking horse of communism'.

Worst of all, a large part of the American people, dissatisfied with their share in the nation's bounty and always haunted by the fear of boom and bust, were hopefully watching the British experiment that promised an economic order free from depression and insecurity, to be achieved without the high price of revolution. If the Labour experiment succeeded, domestic pressure for its emulation in the United States might well become irresistible.

The Charter of the new United Nations listed among the prerequisites for peace 'the promotion of the economic and social advancement of all peoples . . . higher standards of living, full employment. . . .' Its ideology seemed to evolve more on the pattern of the 'welfare-state' than on that of 'free enterprise'. It encouraged many Americans in the hope that their nation's new world leadership would aim at a 'bigger, better, worldwide New Deal', at breaking down the resistance of vested interests to the kind of social and economic reform they wanted for themselves.

These were the reasons why American business leaders had to take the offensive against the trend of reform—to revive and strengthen the hold of free enterprise abroad and secure it at home.

By 1946, 'distinguished leaders in America's international trade', according to the *New York Times* of November 17, frankly told the Thirty-third National Foreign Trade Council of the 'assumed responsibility by American businessmen and their Government to establish our free enterprise system in other nations of the world'. And Philip D. Reed, Chairman of the General Electric Company, made this typical statement at a meeting of business executives on January 14, 1947: 'If we fail to support in every way we can the principles of the American economic system throughout the world, then we shall be in very real danger of losing them at home as well as abroad.'

'To American experts, the time seems ripe now for wider acceptance of the American idea', the *New York Times* repeated on March 23, 1947. 'The problem . . . is to make our world leadership work so effectively that there will never be any doubt hereafter that democracy and free enterprise offer the best way of life for the common people of the world.'

Thus it became necessary to convince both the American people and the outside world that American free enterprise and democracy were indeed one; that, while admittedly 'private enterprise had failed abroad, even in its old home in England', the American economic system 'is something unique in the world', in the words of the *New York Times* of May 11, 1947; and that its historical record proved 'the superiority of the dynamic quality of American free enterprise to other forms of private enterprise and to all forms of absolutism'.

While the test of America's post-war leadership was still in the making, Big Business took it upon itself to provide historic proof of the superior merits of American free enterprise. In countless 'public service' advertisements, commercial radio programmes, speeches and pamphlets, it popularized the story of the way America had come, of the manner in which free enterprise had enabled a mere six-and-a-half per cent of the world's people, the youngest of all great nations, to acquire as much wealth and productive power as all the other ninety-four per cent of mankind had amassed over the centuries.

As far as it goes, this story of American free enterprise is to a good part true, and it is great and fascinating. . . .

* * *

All on their own, the American pioneers pushed the nation's frontiers over the virginal vastness of the continent. With their bare hands and simple tools they cleared prairies and forests, dried up swamps, and spread fertile acres over the wilderness. Directed by no other force or plan than the free and never-ending search of opportunity, they tamed and harnessed mighty rivers, opened deep veins of coal and ore, dotted the country with workshops that grew into mills and factories. Without help and guidance from government they drove across lowlands, mountains and deserts the trails that blazed the way for roads and railways; and over plains and hillsides, along the coasts and lakes and rivers they scattered settlements and anchorages that stretched out into towns and ports and became the bustling centres of a new era of material progress.

Different from other nations in the days of their historic chance—Spain, Portugal and Holland, Britain, France and Russia, Germany and Japan—the young United States hurt no other nation in her onward march, took no other people's territory, or very nearly so. It was true, the Yankee pioneers forced the native Red Indians to yield their hunting grounds, pushed back the Mexicans who settled on the lands they overran, and the armed might of the United States conquered from decadent Spain the colonies of Puerto Rico, Cuba and the Philippines. But American free enterprise always offered infinitely more to foreign peoples than it took from them. Decade after decade it welcomed millions of European immigrants into its new life of greater freedom and faster progress, true to the words on the Statue of Liberty in New York harbour:

> give me your tired, your poor—
> your huddled masses yearning to breathe free—
> the wretched refuse of your teaming shore—
> send these, the homeless, tempest-tossed to me.

It was free enterprise—eager to get what benefits it could from government, but never relying on it to show the way, never allowing it to interfere with opportunity—that led America to wealth and power. It was free enterprise that even freed the slaves: its progress-inducing profit motive was the real driving force behind those who seemed to lead the fight for emancipation on moral grounds; for free enterprise, instead of slaves, needed free labour that could be hired and fired at will.

When four generations of old-timers and wave after wave of newcomers had done their pioneering and the twentieth century began, that trifling part of mankind who called themselves Americans owned one-seventh of the world's developed wealth and produced nearly one-third of its manufactured goods.

Different again from the conquering nations of old Europe—where even the influx of rich colonial tributes failed to cure poverty and prevent stagnation, where war after war was hatched and revolution brewed, where the people seemed to abandon their faith in opportunity and meekly sought what came to be called security—Americans pressed on with the peaceful march over their continent, reached further into its empty spaces, settled it closer, ploughed it wider, dug it deeper, first for coal and iron and copper and then for oil and other minerals. They built their cities higher and their factories larger, mastered ever new techniques, harnessed new means of mechanical power, and moved faster and faster from record to new record.

Again, America hurt virtually no foreign nation in her rise to greater wealth and power, conquered no foreign territory, and offered infinitely more to others than she took from them. When U.S. gunboats and Marines continued to intervene in some small, backward nations in Central America and laid hands on a narrow strip of land across the Isthmus, wasn't it to create for the world's commerce the marvel of the Panama Canal? When American dollar diplomacy extended the nation's sway deeper into South America, wasn't it to stimulate the productive forces of that sleeping continent? When America joined in the European war, didn't she save the victims of imperial Germany and the old world as a whole?—sending across the Atlantic her loan-financed guns, munitions and supplies and finally her fighting men; and after victory her food, clothing and medicines, machines and raw materials, to heal the wounds of the great struggle; and then, year after post-war year, her loans and supplies to rebuild the peace. Was it America's fault that Europe fell back into its rot of stagnation, apathy and strife, while in the United States free enterprise pushed on to new exploits?

In the late twenties, when the war-developed techniques of production had made the nation's dream ever bigger and better and more real, Americans held within their borders one-third of mankind's wealth and more than two-fifths of its industrial equipment.

Their achievements became the wonder of the world: the way they raised greater and greater harvests with less and less toil; the conveyor belt methods of mass production they used to speed up the output of their factories, making their average worker twice as productive as his best European colleague; the drive of their salesmanship and advertising, those screaming, powerful dynamos that drove their economy; the speed at which they outpaced old competitors in every field; the giant factories and skyscrapers they built, the millions of motor cars they crowded on their roads, the mechanical appliances they put into their homes, and the rising living standards more and more of them enjoyed. From all over the globe came economists and businessmen, politicians, engineers and labour leaders to study the great miracle of America's free enterprise.

It was true that then, after the record-of-all-record years of 1929, things changed almost overnight. The New Era of prosperity that was to last for ever came to a sudden halt. Many of the pioneers, instead of pushing farther across new frontiers of opportunity, turned into unemployed migrants, roaming in their battered automobiles over the crisis-ridden continent, in search of bare survival. These nomads of a mechanized age, whole families and sometimes whole communities, fled from hopelessly indebted farms, from homes that were foreclosed after their most cherished belongings had been carted off because they could not meet their instalment payments; from plants and mines and stores and offices which bankrupt or frightened owners were shutting down; from once busy industrial centres that suddenly became ghost towns through the lack of orders and employment. And very few still came from Europe, now that America herself had many millions of tired and poor, homeless and tempest-tossed, a great mass of wretched human refuse, on her own teeming shores.

But wasn't all this a mere accident, to a good part the consequence of the economic disorders in wayward Europe? Whatever the causes of the great American crisis, didn't it prove, rather than disprove, the resourcefulness of free enterprise? For, while the people suffered, business found fresh opportunities to overhaul and renew its equipment, to devise ever new methods of saving labour; so that this period of human tragedy was at the same time one of great technological progress.

Thus, the American economy could soon show the world again its unique capabilities. When the victims of aggression in Europe and Asia needed the products of its factories and farms, in the late thirties, the nation was ready for prodigious output. When America herself was attacked by Japan and the great world war against fascism rose to its climax, the engines of industry hummed faster than ever before, the tractors pulled ploughs and reapers farther across old and new acres, mines and oil wells yielded undreamed-of bounty, huge new factories shot up as quickly as little workshops had once mushroomed in the pioneer days, and the miracle of America, the wonder of the world, came back to throbbing life after ten years of stagnation and despair.

Hands, brains, machines and capital that had so long been in reserve were used without restraint. And while one-quarter of all men were in the fighting forces—as many as had formerly been unemployed—the others, reinforced by more of the women and the very young and old, raised the nation's productive capacity to yet another record.

In four years they made its permanent equipment grow by fully one-half.

With all the tools, the plants, the fields, the mines, the furnaces and shipyards that had been idle, and with all those they created anew in wartime, Americans quickly doubled the nation's total output.

They pumped to the corners of the world an ever swelling stream of guns, munitions, planes, tanks, bulldozers, ships and machines, food, raw materials, clothing, medicines and whatever else was needed to support their growing armies, navies and air fleets, and to help their war-ravaged allies in the common struggle.

Yet even while this vast flood of products flowed abroad, Americans were able to retain more for their own needs than they had ever consumed in the best years of peace. Living standards never were so high for so many in the United States as during the second world war.

The nation's income now was ten or twelve times as large per head of its people as that of the rest of the world.

Measured in mere quantity, the 'average American' ate nearly twice as much in time of war as the average non-American did in time of peace; and his was infinitely more nutritious, richer food. He could afford to buy four, five or six times as much clothing and footwear, uncounted times as many luxuries. Yet he saved more money than ever in the past, saved more in fact than the average citizen of most other nations earned for his meagre livelihood. Americans now had 50 per cent of the world's telephones and radios, 75 per cent of the bathtubs, 81 per cent of the automobiles, 83 per cent of the civilian aircraft, 85 per cent of the refrigerators, washing machines and other mechanical household aids.

Nearly six-sevenths of all their work, measured in terms of the energy required, was now done for Americans by power-driven machines, their mute mechanical slaves; while in the outside world machinery took barely one-tenth of all labour off the back of the average worker in agriculture, industry and transport—so that Americans, with all their incomparable productivity, had the shortest work week in the world.

Wasn't all this the final proof of the superiority of the American way of economic life, of free enterprise? Wasn't it understandable that America should try to press her system on a needy world of which she now was the leader?

* * *

But there was another side to this brilliant record.

It proved the uniqueness not of the character of American free enterprise but of its opportunities.

Singular blessings of geography and history were decisive factors in the nation's spectacular rise, too often overlooked or minimized.

The virginal vastness of the rich continent, ready for development against no odds of climate or pre-shaped social patterns, such as Asia and Europe inherited from their medieval past, gave American private enterprise possibilities enjoyed by no other major nation.

America's remoteness from the world's great military powers was another unique advantage to her soaring economic growth.

Decade after decade, the population of Europe grew at a much faster pace than did the need for fresh labour forces in the old world's less fortunate, less quickly developing economies. Tens of millions of emigrants were thus set free when the empty United States needed tide after tide of cheap workers from abroad, to create new farms and mines, workshops and factories. Those immigrants, generation after generation, brought with them the precious skills of Europe, the special spark and strength of those who rebelled against misery, intolerance and stagnation at home and did not fear to risk their all in a new life abroad. Europe, bearing the cost of raising them, thus made a gift worth uncounted billions of dollars to the United States.

Capital, too, was abundant and cheap in the old world when large foreign investment funds were the second prerequisite for American development. Europe's surplus capital was as anxious to seek its chance abroad as Europe's surplus people. It did not care what kind of social system it helped, so long as it was offered reasonable gain: just as it aided the democratic United States, Australia, and Canada, it flowed into authoritarian Czarist Russia, colonial India, semi-colonial China, and the ever-rebelling republics of Latin America.

European investments did infinitely more for the United States and its free enterprise than American capital, to this day, has done for the development of any other nation. By 1900, Europe's $3½ billion* long-term capital investments in the United States equalled the value of all equipment in her manufacturing industries and on all her farms. The $8½ billion Europe held in the country in 1929 were still half as much

* '*Billion*', throughout the book, is used according to American numeration, meaning one-thousand millions (1,000,000,000).

Dollar-sterling rates, on an average, have been roughly as follows:

before 1915	$1 = 4s. 1d.;	£1 = $4.87 (parity)
1915 - 1919	$1 = 4s. 3d.;	£1 = $4.70
1920 - 1924	$1 = 4s. 9d.;	£1 = $4.19
1925 - 1931	$1 = 4s. 1d.;	£1 = $4.87
1932 - 1933	$1 = 5s. 2d.;	£1 = $3.86

(In 1934 the dollar itself was devalued by 59 per cent, from 1.50463 to 0.88867 grammes of fine gold content.)

1934 - 1939	$1 = 4s. 1d.;	£1 = $4.87
1940 - 1949	$1 = 5s. ;	£1 = $4.03
since Sept. 1949	$1 = 7s. 2d.;	£1 = $2.80

as the vastly increased value of all the machinery, tools and equipment in America's entire industrial plant. Even in 1945, the $9 billion of long-term foreign funds at work in the American economy exceeded the assessed value of all land and buildings on Manhattan Island, the core of New York City, the richest metropolis on earth.

Apart from Europe's men and money, billions worth of European equipment, shipped to the United States decade after decade, helped decisively to build her industries and mines and railways, shipping and trade, technology and science. Again, it was no special merit of her free enterprise that enabled America to import this tremendous volume of European machinery, tools and instruments without ever being hindered by any shortage of sterling, marks or francs—in the way European nations have been handicapped by their paralysing dollar shortage since the economic relationship between the old and new worlds was reversed. For another lucky accident of history so willed it that the United States, primarily a country of vast natural resources, grew up as the complementary counterpart rather than the competitor of industrial Europe. America's surpluses of food, cotton and tobacco, and then of metals, oil and other raw materials, were precisely what Europe lacked; so that America was always able to exchange her products for as much European industrial equipment as she wanted. Even from 1919 to 1949 America continued to require and buy on the average $450 million worth of high-quality European machinery a year—far more than the United States, by now herself the greatest engineering nation, exported to all the world's 'backward regions'.

With Europe's men and skills, capital and machinery to stake her growth, America also received whatever she needed of the fruits of Europe's science, of the old world's ever new inventions and technological improvements. For—no matter how much Europe's scientific and technical 'know-how' enabled America to increase her rival strength and her power of commercial competition from behind the high customs walls which 'free enterprise' forced the state to build up for its protection—the rest of the world still was essentially a free-trade world, whose governments did not restrain their citizens from letting potential economic, political or even military rivals buy whatever blueprints, licences and patents they desired.

Up to 1900, some 45,000 priceless foreign patents were brought to the United States, and during the following three decades another 120,000. Even in the fifteen years until 1945 every eighth or ninth patent registered in America was of foreign origin, 85,000 altogether.

Economic crisis, fascism and war sent large numbers of Europe's best research workers to America. And immediately after the second world war, '1,500 German scientists and technicians, representing the cream of Germany's technological brains, have been quietly streaming into the United States . . . to help exploit for American industry the processes, inventions and manufacturing secrets discovered by allied agents after the German surrender', the *New York Herald Tribune* reported on December 18, 1945.

The climactic technological achievement that gave America her present might owes its very origins to foreign aid. 'In the field of nuclear science and atomic power, out of, say, a dozen of the fundamental ideas, some nine or ten have come from Europe', Dr Karl T. Compton, one of America's leading scientists, said in a speech on December 9, 1947.

Another unique blessing for which free enterprise can claim no credit: its home market of continental size, free from national borders and customs walls, has enabled American industry to develop the modern techniques of mass production of which most other countries could but dream.

* * *

But all these beneficial accidents of geography and history were probably eclipsed in their importance by the great saving windfalls which twice came to the rescue of American free enterprise when it ran into serious trouble, twice gave it the stimulus to further growth which it was no longer able to generate on its own. Those saving windfalls were the two great world wars.

During the years before the first war, stagnation reigned ominously in the United States. The economic order, after many lesser shocks, was approaching its first fateful crisis. The normal annual rise of about $2\frac{1}{2}$ per cent in the per capita purchasing power of the nation's total income—the very mark and means of earlier success—came to a halt. From 1901 to 1915 the people's power to buy their own products fell instead of rising. While both population and productive capacity continued to grow, the total number of workers in the manufacturing industries actually decreased. Surpluses of goods and labour in the midst of persistent want, dire scarcity side by side with potential plenty, threatened America with economic and social crisis. Free enterprise was in no better position to solve these problems of fully developed capitalism in the lucky United States than it was in the older, less privileged nations.

'Perhaps our going to war is the only way in which our present prominent trade position can be maintained and a panic averted', wrote the U.S. ambassador in London, Walter Hines Page, in 1917, while America was still outside the European conflict.

America's going to war soon brought her industries and farms that flood of orders, that justification for building new plant and applying new technology, that mighty impulse to fresh expansion of economic activity which her peace economy had no longer been able to unleash. Not only was a panic prevented, but a great boom was set off and the war, for the time being, saved the economic order of free enterprise. During the average ten years after the war, the per capita income in terms of actual purchasing power was 9 per cent above that of the ten pre-war years. Employment reached unprecedented heights, wartime-swollen exports stayed large, supported by big American loans to allies and ex-enemies, and by 1929 the output and sales of industry were twice as large as they had been in 1914.

Yet, even during that great boom, millions of Americans still found no jobs, the farmers failed completely to benefit from prosperity, and fully one-fifth of the nation's productive capacity remained idle.*

Eventually, the stimuli of war expansion and war-accumulated savings were spent. The swollen speculative credit structure collapsed. The panic struck. It threw the nation back and paralysed the system of 'free enterprise' as no social order in all history had ever been paralysed without defeat in war or pestilence.

For ten long years there was depression in the United States. It responded little to the counter-measures of the New Deal. For the New Deal's state controls over business went no further than necessary to help private enterprise survive to a new sunny day. They restricted this or that right of business but never touched its basic power over the nation's economic fate. They redistributed the national income only superficially but did not mean to bring about a thorough reform of the economic system. The nation's income fell, production dropped, and unemployment rose to proportions the modern world had never seen.

Those were the tragic years of which seven had already passed and three more were still in store when President Roosevelt said in 1937: 'I see a great nation, upon a great continent, blessed with a great

* '. . . the economic system works very imperfectly at best. Figured on a conservative basis . . . we estimate that the economic machine operates at the best around 80% of capacity and at the worst at little more than 50%'. (Brookings Institution, Income and Economic Progress).

wealth of natural resources . . . which can demonstrate that, under democratic methods of government, national wealth can be translated into a spreading volume of human comforts hitherto unknown. . . . In this nation I see tens of millions of its citizens . . . who at this very moment are denied the greater part of what the lowest standards of today call the necessities of life. I see millions denied education, recreation and the opportunity to better their lot and the lot of their children. I see millions lacking the means to buy the products of farm and factory and by their poverty denying work and productiveness to many other millions. I see one-third of a nation ill-housed, ill-clad, ill-nourished.'

Free enterprise knew no way out. The nation fell behind in a world in which the new-founded Soviet Union, unaffected by the general crisis, was testing a new economic system with its Five Year Plans. 'It is significant that the relative position of the United States gradually deterioriated in the thirties', stated 'one of the greatest economists of the country' in a speech which Representative George B. Schwabe read into the *Congressional Record* on December 4, 1947, during the first debate on the Marshall Plan which was to help forestall a repetition of that sad experience.

The new wonder of the world in the thirties was the unprecedented depth of America's depression, the cruel mass suffering it caused in the richest of all countries, the tragic frustration that took hold of the nation and its powerful business leaders—until war came again to the rescue of free enterprise and set in motion an even mightier cycle of revival than the first war had done, a cycle of bounteous orders, fresh justifications for industrial expansion, fuller employment, and rising popular purchasing power.

When the second world war ended and reconversion to peace-time needs was accomplished, America's industrial production towered 80 per cent over its pre-war level, and employment was up 54 per cent. The national income per head of the greatly increased population, in terms of goods, was 57 per cent above that of the last pre-war years. Corporation profits, swollen nearly 400 per cent in their inflated dollar totals, were still two-and-a-half times as large in comparable 'real' value as they had been during the last pre-war years. And war-accumulated savings of unexampled size again promised some continuation of the boom into the years of peace.

Once more, war saved free enterprise from terrible dilemma. And once more, in helping her allies win the common struggle, America remained untouched by bomb and shell, unravaged by invaders, suffered neither death nor violation of civilians, no serious hardships, no close-to-home experience of the tragic side of war.*

'It could be said of the nation as a whole that we lost some blood, shed a few tears, and got up a healthy sweat', Edwin G. Nourse, chairman of the President's Council of Economic Advisers (*U.S. News* of December 10, 1948), summarized that second saving windfall which turned deep depression into a great boom.

Instead of barely surviving with her equipment worn out and damaged, as Britain, the Soviet Union and other allies did, America emerged from the war with her national wealth actually doubled.†

Instead of all but exhausting her investment wealth abroad, as others did, the United States now also possessed greater foreign investments than before. While the allied nations were half starved, worse-sheltered and worse-clad, more denuded of the barest comforts, nearer physical and mental exhaustion than in modern memory, Americans, during the war, were better fed, more prosperous and economically more secure than they had ever been.

The uneven balance of the allies' gains and losses in two victories must be faced; for it is at the very basis of much of the world's present problems. It does not mean taking away from the glory of her soldiers and production workers nor ignoring the great measure of her contributions to victory if one recognizes the fact that the United States was fortunate enough to make enormous economic gains during the two great wars which to her allies meant only loss and destruction.

The first world war cost America 130,000 of her sons who were

* There were six civilian war casualties. One woman and five children were killed in the state of Oregon in 1945, when, in a forest, they touched a bomb that had been carried across the Pacific by one of the thousands of balloons the Japanese launched to bomb America at random. Those were 'the only persons killed on the United States mainland as a result of enemy action', the governor of the state remarked when he unveiled a monument to them in 1950, 'a grim lesson for the nation now'.

† America's total national wealth was estimated at $309,000,000,000 for 1938 by the National Industrial Conference Board; at $684,245,000,000 for 1949 by the Joint Congressional Committee on the Economic Report.

By contrast, Britain lost at least one-quarter of her total national wealth due to the second world war. At 1945 prices, her pre-war national wealth was estimated at about £30,000,000,000. Britain's direct war losses alone, according to *Statistical Materials Presented During The Washington (loan) Negotiations* (cmd. 6707, H.M. Stationery Office, 1945) totalled £7,248,000,000—i.e., £1,450,000,000 on destruction and damage to property; £700,000,000 on shipping losses; £900,000,000 on depreciation and obsolescence not made good during the war; £1,118,000,000 on sales and repatriation of overseas investments; £2,928,000,000 on fresh foreign debts in the form of increase in 'sterling balances' and overseas loans; and £152,000,000 on depletion of gold and U.S. dollar reserves.

killed in action or died from wounds and sickness. In the second world war another 296,000 young Americans gave their lives to the common cause. But America's allies had to sacrifice over 5 million lives the first time and over 26 million lives the second time, including some 15 million civilians killed in cruel air and land warfare, gas chambers and concentration camps.

Even though one cannot measure human tragedy statistically, add up the sum totals of heroism and anguish and thus compare one nation's contribution with another's, it is a fact that the United States suffered no more than two-and-a-half per cent of the allies' combined casualties in the first world war, and one-and-one-tenth per cent of their human losses in the second world war. America's allies had to sacrifice thirty-two times as large a part of their people in these two wars—69,000 out of each million, not counting China's losses, against 2,150 out of each million in the United States. The American losses in the second world war were about as many, according to official statistics, as the number of Americans killed at home during the same period by ordinary accidents.

America spent for allied victory $26 billion by 1918 and $330 billion by 1945: about one-eighth of all that the first war cost the allies in expenditures and losses from destruction; and not much less than one-third of their combined bill of war the second time.

But it is just as true that the actual cost of the second world war, at about $2,430 for the average American, was barely higher than that of the much poorer average Briton, whose share was $2,350—quite apart from what he still had, and has, to spend on repairing the damage and the wear and tear of the last war. The average Soviet citizen, considerably poorer still, paid $2,160 for actual war costs, in addition to suffering a loss of $776 per capita from the destruction of a large part of his country. Even in terms of comparative financial costs, therefore, the United States was fortunate enough to win victory at infinitely less sacrifice than did her allies.

Still another factor in the economic record of America is too often overlooked: no matter how honestly and fervently the nation wanted peace and progress for the world, its economic order helped to intensify the international drift to crisis and military conflict between the first and second world wars.

It makes no difference whether or not a few in the United States contributed wittingly and willingly to these developments. The fact is that America was forced, by the rules under which her free enterprise system operates, to deepen misery and foster war abroad.

Firstly, America could not help 'exporting' unemployment and economic crisis to other nations, in her attempt to reduce them at home. How this was done was well described years later, on February 15, 1947, in a speech by Leon H. Keyserling, then Vice-chairman of the President's Council of Economic Advisers: 'Unemployment in America results in the main from a recurrent phenomenon in our economy—from the fact that our production has tended to exceed the absorptive capacity of our home markets to buy the full supply of goods at current prices. In the past, when this tendency has commenced to appear, we have endeavoured to dispose of our surplus of goods abroad. . . . The very conditions of unemployment at home which made us want to dump goods abroad, made us correspondingly fearful of allowing the entry of goods into this country. The consequence of this one-way flow of goods was that it contributed to the demoralization of the economies of other countries. In effect, we were trying to export unemployment.'

Secondly, American free enterprise enabled the future enemies of world peace to prepare for fresh conquest—more easily and effectively than they could have done without large-scale assistance from banks and industries in the United States. Germany was given huge loans (mainly, as it turned out, at the sacrifice of small American savers) and a vast volume of modern equipment and strategic raw materials, all of which contributed decisively to her rearmament for fresh aggression. Japan, even while fighting China, obtained from America year after year the oil, machine tools, engines, steel scrap, chemicals and patent licences she needed to build up her fighting forces for still further conquest.

For, under the existing economic order American firms could not risk losing business that ran into billions of dollars—no matter how dangerous the consequences of helping potential aggressors might be to the peace of the world. Also, Germany and Japan were the Soviet Union's closest enemies, and a good many American industrialists were not averse to the line of thought which was later so frankly expressed by Senator Harry S. Truman, of Missouri: 'If we see that Germany is winning we ought to help Russia', the *New York Times* quoted him on June 24, 1941, 'and if Russia is winning we ought to help Germany, and that way let them kill as many as possible.'

This was the chain of special circumstances and lucky accidents of history, of saving windfalls in the shape of war and benefits derived from an attitude toward the world which—as Roosevelt put it on January 6, 1945—'preferred international anarchy to international co-operation with nations which did not see and think exactly as we did'.

The American economic order could not fairly claim that its superior merits were responsible for the spectacular rise of the United States that resulted from all these factors.

Against this background, American free enterprise could claim still less to be exportable as the image in which other nations should remould their economies.

This record was in fact a serious warning to Americans: no longer to risk having to be rescued from stagnation, depression and crisis by the stimulus of war; never again to allow situations to arise in which 'perhaps our going to war is the only way in which our present prominent trade position can be maintained and a panic averted'; but so to adapt their economic order to their own needs and their increased responsibilities toward mankind that they could safely thrive on the peace and progress of the world which they desire.

* * *

America must change her economic order if the world is to live in peace.

To do her share in the prevention of another war, America must pay the price of peace—by putting her own house in order, changing the haphazard, crisis-breeding ways of her economic life, by basing prosperity on the fulfilment of her people's right to economic security.

This was Roosevelt's warning early in 1944, when he told Congress: 'It is our duty now to lay plans and determine the strategy for winning of a lasting peace and the establishment of an American standard of living higher than ever before known.'

Prosperity for a mere part of the people would not be sufficient. 'We cannot be content', he continued his famous 'Economic Bill of Rights' message, 'no matter how high the general standard of living may be, if some fraction of our people—whether it be one-third or one-fifth or one-tenth—is ill-fed, ill-clothed, ill-housed and insecure.' For the nation's war-enlarged productive machine was now of such magnitude that it must either find steady employment in providing full and safe prosperity for everyone, allowing all to work and enjoy to the full the fruits of their labour, or that the American economy must once again drift toward crisis and depression, distort the nation's domestic and foreign policies and endanger the peace and progress of the world.

For the achievement of this two-fold aim of prosperity and peace

Americans could no longer rely solely on their political democracy, their rights to free elections, free speech, a free press and free assembly. They had to make democracy complete and real by adding modern economic rights to their traditional political liberties. 'As our nation has grown in size and stature,' Roosevelt said, 'as our industrial economy expanded—these political rights proved inadequate to assure us equality in the pursuit of happiness. We have come to a clear realization of the fact that true individual freedom cannot exist without economic security and independence. "Necessitous men are not free men."'

The American democracy on which the peace of the world depends must therefore first adopt a 'second Bill of Rights under which a new basis of security and prosperity can be established for all—regardless of station, race or creed . . . the right to a useful and remunerative job . . . the right to earn enough to provide adequate food and clothing and recreation . . . the right of every farmer to raise and sell his products at a return which will give him and his family a decent living . . . the right of every businessman, large and small, to trade in an atmosphere of freedom from unfair competition and domination by monopolies . . . the right of every family to a decent home . . . the right to adequate medical care and the opportunity to achieve and enjoy good health . . . the right to adequate protection from the economic fears of old age, sickness, accident and unemployment . . . the right to a good education.'

Since 'all of these rights spell security', Roosevelt carried on, putting aside the illusion of safety through military power, 'America's own rightful place in the world depends in large part upon how fully these and similar rights have been carried into practice for our citizens'.

The world would not be safe if the social order of the most powerful nation continued to leave its citizens without full economic rights and the basic reassurance of economic security.

'For unless there is security here at home', Roosevelt concluded his prophetic warning, 'there cannot be lasting peace in the world.'

Were these only the facile promises of a political master tactician, trying to fire the people's final war effort and to soothe the allies' fears of the post-war trends of the American free enterprise economy? Or did they express the deep-felt hopes of an intuitive statesman who, had he lived, would have fought to make them the basis of his country's domestic and foreign policies?

In either case, Roosevelt must have realized that much of the possibility of post-war economic reform had already been sacrificed.

For, ever since the approach of the second world war, the Government had helped Big Business, the opponent of all economic reform, to consolidate its political power—believing that, in the words of the Temporary National Economic Committee of the U.S. Senate, 'the reactionary opposition could only be carried along by concessions that strengthened its position for the post-war period'.

II Corporate Power

'The Wall Street reactionaries are not satisfied with being rich. They want to increase their power and their privileges, regardless of what happens to the other fellow.'

'They are gluttons of privilege. . . . They want a return of the Wall Street economic dictatorship.'

President Harry S. Truman
September 18, 1948.

A FEW HUNDRED BUSINESS CORPORATIONS OWN MOST OF THE plant, employ most of the workers, control most of the capital and occupy the main economic and financial commanding heights in the United States.

Some 250 corporate giants own almost two-thirds of the nation's manufacturing facilities, the Federal Trade Commission stated in its first post-war report on the ever continuing concentration of economic power. Since America claims to have within its borders sixty per cent of the world's industrial plant, those 250 corporations probably control nearly two-fifths of all modern industry on earth.

The 113 largest among them possess 46 per cent of the total capital assets of all manufacturers, the Commission stated; and the largest 78 alone grew so rich during the war that, merely with their liquid working capital, they would be able to buy up nine-tenths of all industrial enterprises in the United States.

Most Americans are unaware of the true size and power of the corporations; for the popular press scarcely mentions what little information on the anatomy of Big Business is off and on disclosed in Washington. For example, few newspaper readers ever saw the table, 'BILLIONAIRE CORPORATIONS—BUSINESS VERSUS GOVERNMENT, Dec. 31, 1949', which was published in 1950 by the Joint Congressional Committee on the Economic Report. It showed that the wealthiest 48 companies—19 banks, 10 insurance concerns, 6 railways and 13 industrial corporations—owned assets of over $120 billion, or over one-sixth of America's national wealth, which a footnote put at $684½ billion.

The 11 largest billionaire corporations had assets of $62 billion, as much as all the properties of the U.S. Federal government.

The biggest of them all, the American Telephone and Telegraph

Co., a great power in industry and radio, apart from being a near-monopoly in the communications field, owned $10¾ billion—more than the value of all private and public real estate in forty-four of the nation's forty-eight states. Second and third were the Metropolitan Life and Prudential Insurance companies. Together with two other insurance and mortgage giants, they owned $26 billion, or as much as the value of all private and public land and buildings in New York and Chicago. Fourth, with $6¼ billion, was the relatively young Bank of America, the nation's biggest bank and the predominant economic force on the West Coast. (It has 'concentrated more economic power in one small group of men—perhaps only one man—than probably has ever happened before in the business life of our country', stated a Federal Reserve Board report on June 13, 1951.)

Of the 250 industrial giants, only 13 were big enough to be listed among these 48 billionaire corporations. The leading ones were the Standard Oil Co. (New Jersey) with $3½ billion, General Motors Corp. with $2¾ billion, U.S. Steel Corp. with $2½ billion, and the chemical trust E.I. du Pont de Nemours with $1¾ billion. Others were the Consolidated Edison, General Electric, Bethlehem Steel and American Power and Light companies. These are some famous industrial concerns which, despite their wealth and power and, in some cases, their far-flung trade and production empires abroad, ranked below the 'billionaires': the Ford Motor and Cities Service companies, each with assets of just under $1 billion; the Union Carbide and Chemical, Westinghouse Electric, American Tobacco, International Harvester, Anaconda Copper Mining, and Chrysler corporations, each with about $700 million assets; the Aluminum Co. of America, a near-monopoly in its field, and the Goodyear Tire and Rubber Co., with around $500 million each; the Eastman Kodak, U.S. Rubber, United Fruit, and Allied Chemical and Dye corporations with between $300 and $400 million; the Radio Corp. of America, International Business Machines Corp., Celanese Corp. of America, and Coca-Cola Co., with $200 to $300 million each.

The incomes of the billionaire corporations make government revenues look modest. The first nine, in 1949, had a total annual sales income of $21 billion—half as much as all the enormous U.S. Government revenues from taxes, duties and other imposts; or more than the combined national incomes of Canada, Mexico and Cuba, the three neighbours of the United States.

General Motors was the greatest single earner, eclipsing the revenues of every one of the forty-eight states of the union. Its sales of nearly

$5¾ billion were equal to 2 per cent of all goods and services produced in America. Second was Standard Oil (New Jersey), which sold $3⅜ billion worth of goods a year; and the combined sales of the three leading Standard Oil sister companies were $5¼ billion. The American Telephone and Telegraph Co. earned close to $3 billion. The sales of U.S. Steel were $2.3 billion a year, covering a range of goods from steel shapes for construction to various kinds of intricate machinery, from rails, cables, pipes, drums, wire and sheets to naval, cargo and passenger ships and floating dry docks, from fertilizers and household appliances to entire homes.

As employers of labour, the eleven leading industrial concerns, together, eclipsed 'Big Government'—as Big Business derogatorily calls the Federal administration since its ever-growing tasks now require over two million employees. American Telephone and Telegraph had around 600,000 workers, General Motors over 400,000, United States Steel nearly 300,000, and General Electric 180,000. The employees of those four concerns, with their families, outnumbered the population of eleven of the nation's forty-eight states.

* * *

The spokesmen of the corporations are technically correct in saying that none of them alone monopolizes its field of business. But in many industries a few big companies, together, do. 'Today monopoly power in this nation', Attorney General Tom C. Clark told Congress on July 11, 1949, 'is to be found in those industries controlled by a few large companies—the Big Threes or the Big Fours—following policies and practices which avoid any real competition among themselves and which at the same time enable them to maintain their dominant positions.'

Cartels regulate the sales of 42.7 per cent of all manufactures, 47.4 per cent of all agricultural products and 86.9 per cent of all minerals, a study of the Twentieth Century Fund showed in 1948: 'in truth, cartels have reached into practically every branch of the modern economy'. The only exceptions were found to be liquid milk, ice cream, sand and gravel; but it was not long before small business complained about progressing concentration in the milk and ice cream trades.

The degree of monopolization, i.e., the control of production and prices by the 'first four companies', according to a report of the Secretary of Commerce to Congress in December 1949, is 100 per cent in primary aluminium . . . 99.9 per cent in small arms ammunition

. . . 98 per cent in aircraft propellers . . . 97.6 per cent in steam engines and turbines . . . 95.7 per cent in telephone and telegraph equipment . . . 91.8 per cent in electric lamps . . . 91.6 per cent in files . . . 90.7 per cent in locomotives and parts . . . 90.6 per cent in crude coal tar products . . . 90.4 per cent in cigarettes . . . 88.3 per cent in electro-metallurgical products . . . 88.2 per cent in petroleum and coal products . . . 88.1 per cent in flat glass . . . 85.5 per cent in pulp goods . . . 79 per cent in soap . . . 78.4 in synthetic fibres, etc., etc.

In the 'least concentrated' industries the 'biggest four' control the production of 55.7 per cent of automobiles and parts . . . 41.3 per cent of slaughtering . . . 44.7 per cent of the steel works . . . 34.3 per cent of periodicals . . . 27.9 per cent of footwear . . . 29.0 per cent of flour milling and 20.9 per cent of all newspapers. Even of the nation's bread market the 'biggest four' hold 16.4 per cent, and many of the six thousand smaller baking corporations are near-monopolies in localities where they have driven out the last independent bakeries.

All this, however, shows only part of the ever-growing prevalence of Big Business. For most of these giants are also linked into vertical concentrations throughout the width and breadth and depth of the economy, combining controls over one of its main fields with controls over another and holding in their orbits tens and hundreds of thousands of smaller enterprises which no Congressional investigation can ever hope to name.

The huge domains of many industrial and banking concerns are merely the provinces or junior dependencies of even greater financial empires, whose controls extend not only into every sphere of business but also into the nation's increasingly commercialized agriculture; not only into press, radio and film but even into the hallowed halls of colleges and universities they subsidize and influence.

There are eight main 'vertical' business empires—Morgan, Rockefeller, Kuhn-Loeb, Mellon, E.I. du Pont de Nemours, and the Chicago, Boston, and Cleveland combines of banks and industries.

Between them, they control a good half of the 48 'billionaire' corporations, more than 100 of the largest 250 industrial concerns, and uncounted smaller ones. Their combined assets in the middle thirties, at the time of the first and last Congressional investigation of their economic power, amounted to over $61 billion, then one-sixth of the nation's total wealth. They have been spreading and growing ever since, but even the Government does not quite know to what extent.

The Morgan group alone embraces half of this tremendous accumulation of wealth and power. Among many others, Morgan dominates thirty-five to forty of the biggest corporations, i.e., a dozen of the first-ranking industrial concerns like U.S. Steel, General Electric, Baldwin Locomotive Works, and leading coal, copper and paper companies; some great retail concerns like the mail order house Montgomery Ward and Co., the nation's third-ranking distributor of consumer goods, and the leader of the baking industry, the National Biscuit Co.; a dozen public utility, electric power and gas corporations, including that state within the state, the American Telephone and Telegraph Co., and the far-flung American Power and Light Co.; five of the greatest railway systems, including the New York Central, Northern, Southern and Western Pacific; and four financial giants, the First National Bank, Guaranty Trust Co., New York Trust Co, and Bankers Trust Co.—all of them led by the private banking house J. P. Morgan and Co.

The Róckefeller group has its main strength in half a dozen huge oil companies and the enormous ramifications of America's second-ranking financial giant, the Chase National Bank.

The Kuhn-Loeb group rules among other corporations seven major railway systems like the Pennsylvania and Union Pacific networks, the Western Union Telegraph Co., and, aside from the private bank that bears its name, the great Bank of Manhattan Co.

The Mellon group, built on the near-monopoly of the Aluminum Co. of America, controls leading coal, steel, oil, machinery and glass concerns, public utilities and railways, the Westinghouse Electric Co., second in its field, and two major banks, the Mellon National Bank and Union Trust Co.

The du Pont empire, built around the vast chemical concern E.I. du Pont de Nemours and Company and the National Bank of Detroit, is now 'the largest single concentration of industrial power in the United States', according to the U.S. Attorney General who brought an anti-trust suit against it in 1949. It controls among others General Motors and U.S. Rubber.

The Chicago Group is headed by four major banks, of which the Continental Illinois National Bank and Trust Co. and the First National Bank of Chicago alone have combined assets of $5 billion. In its great Middlewestern domain it controls three large public utility companies, the agricultural equipment giant International Harvester, the meatpacking trust Armour and Co., and the department-store concern Marshall Field which owns one of the area's few big newspapers, the *Chicago Sun-Times*.

The Cleveland Group, led by one of the billion dollar banks, the

Cleveland Trust Co., comprises among others the Republic Steel, Youngstown Sheet and Tube, Inland Steel, and Goodyear Tire and Rubber companies with assets of $3 billion.

The Boston Group, around the First National Bank of Boston, takes in such large concerns as the United Shoe Machinery Co., with its firm grip on the nation's shoe manufacturers, the American Woollen and U.S. Smelting, Refining and Mining companies, and the United Fruit Corp., the financial sovereign of several Latin American 'banana republics'.

Competition among those eight empires and the unaffiliated business kingdoms and principalities is no more deadly, these days, than between the various departments of any one corporation like U.S. Steel or General Motors. Unwritten covenants restrict what used to be the ruthless rivalries of the frantic trust building era. Ever since the New Deal period, and more still since the last war, Big Business has been pulling together, defending its members and attacking its enemies in unison. No matter how much each group is bent on increasing its own power and profits, markets and controls, and how close to collision they might come in their unceasing expansion at home and abroad, they are now as considerate of their all else overruling common interests as the most disciplined allies in the midst of war.

They need no supreme command to lay down an over-all strategy; for their basic aims are the same, dictated by the sameness of their nature and their outlook, their dangers and their opportunities. Even such a crucial issue as the desirable extent of governmental armament expenditures at any given time does not jeopardize their unanimity on major economic and political problems; for all the major powers of Big Business are deeply engaged both in the civilian and armament fields.

On day-to-day tactics there may occasionally be disagreement: whether to raise prices today or only tomorrow, to raise them 10 or 5 or only 2 per cent at one stroke; how far to expand or restrict production of basic materials; whether to meet the labour unions half- or quarter-way when concessions are unavoidable, and how to repulse or counter-attack them whenever possible. But such differences have never gone far in recent years.

* * *

It is only natural that the leaders of this enormous corporate power should largely have determined after the war how much the nation was to produce, consume, invest and try to export; how many jobs there were to be, what incomes the people were to earn, what prices to pay, what lives to live; what role America was to play abroad, what reactions she was to arouse among her foes and friends, and how the nation's foreign policy had to respond to the realities Big Business created at home and in the outside world.

These are the reasons why Big Business inevitably became more and more unpopular and why some of the nation's political and labour leaders, to maintain their prestige, occasionally felt obliged to echo the people's criticisms. But instead of aiming for a change of the economic order which gives Big Business so much power over the nation, they only attacked the individuals who happened to be at the head of the giant corporations.

To denounce those men as 'Wall Street reactionaries . . . not satisfied with being rich [who] want to increase their power and their privileges, regardless of what happens to the other fellow',—as, for example, President Truman did—might have been good political tactics had the intention behind such personal criticisms been to prepare the country for action against corporate power as such. But as a mere means of currying favour with the people such attacks did more harm than good. They diverted attention from the real issue, the need for a basic reform of the economic order. They made many of the people wonder whether the leaders of the corporations, some of whom they know as their own employers, were really such ogres, were really worse than the politicians who, off and on, when things went badly in America, took them to task in ringing phrases.

These business leaders, as a rule, are men of normal personal integrity and considerable ability in their respective fields, who evidently try to do their best. They are rather ordinary Americans in their outlook and moral values, as honestly convinced as anyone of the genuineness of their democratic creed, their patriotism and their love of peace and progress. But, being carefully selected, trained and moulded for their tasks according to the needs of the vast corporate bureaucracies they head, and thoroughly indoctrinated with the self-justifying philosophy of Big Business, they are of course equally convinced that what is best for their corporations must logically be best for the American nation and therefore for the world.

They could not possibly act differently, even if they were able to see the trends and needs of the time in a different light, even if they wanted to refrain from taking crucial decisions on the nation's fate and its role in the world—which in a democracy are supposed to be up to the people and their elected representatives. For those decisions are merely incidental to their conduct of the corporations' business, implicit in the ways they have to determine the production and investment, hiring and firing, buying and selling, lending and borrowing of those giant institutions.

Nor could the Government divest Big Business of this implicit policy-making might, even if it wanted to do so—unless it first obtained a popular mandate to alter both the economic order and the Constitution of the United States.

For as long as free, private enterprise remains the acknowledged basis of the nation's economic system, every business corporation must logically be free on principle to conduct its affairs as it sees fit, no matter how big it may be and how great an influence it is bound to exert on national policies.

Secondly, the Constitution recognizes the legitimacy of corporate power. Big Business had seen to that generations ago, at the very outset of its rise. When Congress, after the Civil War, passed a Constitutional Amendment to safeguard the civil rights of the newly emancipated Negroes, the occasion was cleverly used to guarantee equal rights to all 'persons', individual and corporate alike. 'We have failed to differentiate between the natural person, man, and the artificial person, the corporation', Senator Joseph C. O'Mahoney reminded the American Bar Association on September 23, 1947; 'the consequence is that the modern corporation, in some instances, has become more powerful even than the state.' But no attempt has ever been made to impress the people with the need for changing a basic law that fails to impose greater restraints on the Brobdingnagian corporations than it does on the Lilliputian citizens they threaten to crush; that puts them on the same footing as to 'freedom of contract', 'protection of property', 'immunity from Government confiscation', and so on.

Big Business tries to create the impression that it is in danger of being 'enslaved' by 'Big Government'. But, while it is true that the economic functions of the state have grown with the increasing complexity of the American economy, Big Business has by no means been subjected to effective government control. On the contrary, the power of business over the nation's political institutions has grown apace, and enables it to wield decisive influence on the manner in which government carries out its limited regulatory functions.

There have of course long been the anti-trust laws, intended to discourage the concentration of economic power and its misuse. But they are vague and weak and, even so, have never been implemented with the necessary provisions for enforcement.

It is typical for the helplessness of the Government under the illusory anti-trust laws that the U.S. Federal Trade Commission had to tell Congress in the summer of 1948 of the grim future that lay ahead for the United States 'unless something was done soon to check the increased trend toward monopoly and even greater concentration of economic power'; and that the Commission vainly asked Congress again in a report of January 17, 1949, 'as it has every year since 1930, to enact legislation that would enable it to deal effectively with the problem of industrial monopolies'. Congressman Emanuel Celler only stated the bare truth when he declared ten months later that the monopoly problem was still as acute and unsolved as it was when the Sherman Anti-Trust Act became one of the laws of the land fifty-nine years ago.

From time to time the Government, aware of the popular appeal of such action, cites one or another monopoly for infringement of the Anti-Trust Act, even though it knows beforehand that the means it possesses to submit corporate power to the law are pathetically insufficient.

The suit against the chemical giant du Pont was the show case of 1949, and what it revealed was as symptomatic for the practices of Big Business as for the impotence of Washington. The Justice Department accused du Pont of having combined with General Motors and U.S. Rubber into a closed, non-competitive system. 'When companies in the du Pont system have to go outside the system for supplies', the *St Louis Post Despatch* reported some of the charges, 'pressure is put on suppliers to buy, in turn, from the du Pont companies, even though some other companies might make them better offers. By these means, du Pont has eliminated many independent businesses and weakened those that survived. [For example] du Pont has used its bigness to maintain monopolies in tetra-ethyl lead, plexiglass and cellophane [and] to make General Motors its largest customer. . . .'

'Du Pont has used its bigness to keep the price of dental plates high to the consumer', the Senate Sub-committee on War Mobilization already found in 1944. 'A price of $45 a pound, for dental purposes, was maintained for the same material that for commercial purposes sells for 85 cents a pound'—an overcharge of more than 5,000 per cent.

'Through international cartels the influence of du Pont spread out all over the civilized world', it was charged. 'It has been a principal partner in cartels controlling world trade in chemical products, fire-arms, ammunition, synthetic rubber, plastics and titanium. One of the most dubious associations into which cartelism has led du Pont has been with the I.G. Farbenindustrie, the enormous German chemical combine, which supplied the Nazi war machine and operated mass murder camps for the "master race".' Again, in September 1951, the du Pont concern was accused of having conspired, together with Imperial Chemical Industries, Ltd. of Britain and the Remington Arms Co. Inc., to divide markets and avoid competition in munitions, small arms and chemicals.

But such charges, practically ignored by the popular press, do not endanger the accused concern or Big Business as such. The president of du Pont, Mr Crawford H. Greenewalt, still could command a sympathetic hearing from a Congressional committee when he stated, 'it is the customer and the customer alone who casts the vote that determines how big any company should be'; and his corporation could still overcompensate what little publicity some leading newspapers gave the Government on its case, by sending out a flood of letters 'urging 275,000 customers, employees and company stockholders to give their "wholehearted support in resisting" the action of the Department of Justice', as the *New York Times* reported on July 12, 1949.

Prosecution of monopoly under the anti-trust law is not only rare, timid and harmless to those concerned because its sanctions are so limited; it is also incredibly protracted. The Government has never been allowed the full legal staff, or the funds for retaining private lawyers, to counter the battalions of the nation's best and most expensive legal counsel which an accused corporation immediately mobilizes against the state. In many cases, the anti-trust authorities have been physically unable to deal with the avalanches of documentation set off by the defence and the barrages of legal subterfuge they put up year after year. On such matters Congress has remained as thrifty throughout the post-war period as in 1946, when Senator Mead complained that it 'displayed total unawareness' of the 'ominous trend toward absorption of small industry by the big corporations and financial interests [and] the growing necessity for stronger safeguards, when it voted to reduce from $1,900,000 to $1,700,000 the appropriation for enforcement of the nation's anti-trust laws'.

What the *New York Times* wrote on May 29, 1949 about a case against investment bankers, whom the Government accused of conspiring to dominate the securities field and eliminate competition, is equally true of all other important anti-trust suits: 'At the present rate of progress . . . grass certainly will be sprouting in the lanes of the financial district before the Justice Department's anti-trust suit against seventeen of the nation's foremost investment banking firms and the Investment Bankers Association even reaches a semblance of actual trial. . . . A new generation will be in the saddle before a final decision.'

As to du Pont's—the firm has in the meantime been appointed by the Government to manufacture the latest weapon, the Hydrogen bomb. 'The choice by the Atomic Energy Commission of E. I. du Pont de Nemours and Co. to design, construct and operate the new and vast facilities for the production of the H-bomb is another instance of the fact that, when the Government needs skills and organizations to do big jobs, especially in the area of security, it must call upon those which often at the same time it is attempting to disperse by anti-trust prosecution', the *New York Times* commented on October 27, 1950—adding that many other corporations prominently engaged in armaments were under similar monopoly charges.

Still, every new anti-trust charge and every new wave of popular discontent reminds Big Business of its greatest potential weakness: the smallness of its own political manpower in the American democracy.

* * *

One of the important tasks of the great corporations after the war was therefore to try enlisting the support of their many small shareholders and, at the same time, to prove to the public that all the allegations about the undemocratic power of a few hundred business giants were unjustified; that, on the contrary, no other American institutions were in fact so democratically founded and ruled as the much-maligned corporations.

Not a mere powerful few but many millions of ordinary men and women owned and directed the corporations, their argument went.

'How's our railroad doing, young man?' read the caption over a full-page advertisement of the Santa Fe System Lines, showing a simple, broadly smiling old woman in animated conversation with a broadly smiling young brakeman on a railway car. 'The little old lady is not a busybody', continued the advertisement, typical of the many that have been appearing in the nation's newspapers and magazines since the war. 'She is merely looking after one of her investments. She has some money in the Santa Fe. . . . Stockholders just like her—housewives, teachers, merchants, salesmen, labourers—can tell us how to run the Santa Fe, and they do. . . . And that's the beauty of America—the voice of the people is the voice that runs things, whether it's operating a transcontinental railroad or putting a man in the White House. Isn't it a wonderful country where so many can own so much? That's "Free Enterprise".'

Newspaper headlines stated: 'Stockholders in Giant Corporations Often Outnumber Employees', showing that General Motors, the great du Pont satellite, had 425,657 shareholders while its employees were only 345,940; that Rockefeller's Standard Oil (New Jersey) had 160,025 'owners' against 108,000 workers. Even Morgan's U.S. Steel Corp. has 225,822 shareholders, compared with 279,274 on its payrolls. Seventy-two of America's large corporations thus prided themselves of being the property of 4,082,805 Americans, the 'real masters' of their 2,925,449 employees and their $27 billion of wealth and power. And a *New York Times* editorial regarded these figures as proof that America had practically achieved social ownership of the means of production.

The facts that matter give a different picture.

Estimates of those who own stocks have often ranged up to 14 million citizens. But the Brookings Institution found, according to the *New York Times* of July 1, 1952, that only one out of every sixteen persons in the adult population—or about 6½ million persons in 4¾ million families—owned any stocks at all. And only 8 per cent of those 6½ million shareholders, or a little over half a million, owned more than ten stocks, i.e. more than $480 worth each, at the average market values of 1952.

Detailed analyses of some great corporations show that the vast majority of 'owners', together, hold only a small part of all shares. In the typical case of the American Telephone and Telegraph Co., one of the most popular among investors, three-quarters of the nearly 700,000 shareholders own less than one-quarter of the total, while a mere 5½ per cent of shareholders own almost one-half of the stock.

Small owners almost never appear as 'voters' at the shareholders' annual meetings. 'Even the largest institutions attract to their sessions only a few score of stockholders who are not also officers . . . ', wrote the *New York Herald Tribune* on January 17, 1949. If some of them do appear, criticize some aspect of the corporation's policy and try to follow up their censure with action, small 'owners' find themselves 'under the practical disability of having to spend on an average of from $1,000 to $10,000 (possibly several times their investment) to place their complaint by mail before the stockholders', a letter to the *Wall Street Journal* of August 4, 1948 pointed out. 'In many instances there is large additional expense in securing a list of the stockholders and their addresses [while] the managements, in rebutting any assertions of the complaining stockholders, can and do send their replies at the expense of the corporation [so that it is] impractical for a small group of complaining stockholders to take any efficient action. . . .'

Finally, the boards of directors are closed circles of insiders who usually succeed in making the small, ignorant stockholders automatically yield their absentee votes to them by proxy, while doing everything in their power to suppress 'the voice of the people that runs things'. Professor Sumner H. Slichter of Harvard University wrote in *Fortune* magazine of September 1949: 'The directorates of most corporations consist almost entirely of officials of other corporations, plus a few so-called "capitalists", that is, men who own large investments but do not directly administer enterprises.'

The most startling fact is that the boards of directors, as a rule representing comparatively small minorities of stockholders, control 'their' corporations largely with other people's capital and other people's votes. 'This concentration of wealth and power has been built upon other people's money, other people's business, other people's labor', President Roosevelt said on October 14, 1936. 'It has been a menace to the social system as well as to the economic system which we call American democracy.' And it still is.

Among the 120 biggest manufacturing corporations, the magazine *Trusts and Estates* reported in July 1948, there are only four in which any individual owns as much as ten per cent of the voting stock. In sixty-two of them, no single individual holds even quite one per cent of all shares. But the combination of a few such individual interests is usually sufficient to appoint the all-powerful board of directors.

The du Pont family, for example, controls U.S. Rubber, the leading corporation in its field with $250 million assets, through the ownership of one-sixth of its total stock. According to the Government's anti-trust suit against the family, '17 per cent of the total' have been 'sufficient to give them control, since the remaining shares are held in small amounts by about 14,000 stockholders'. Those, admittedly do not count. And many large corporations are controlled by even smaller minorities.

This case also shows how the purchase of a small minority interest enables a 'parent' corporation to obtain preferential treatment in important commercial dealings with a newly adopted 'daughter' company. 'Du Pont requires', the charge went on, that both U.S. Rubber and General Motors, its satellites, 'purchase substantially all their requirements for certain products from each other, thus freezing out other suppliers'. In this way the parent trust deprives the powerless majority of small shareholders in the conquered corporation of the full dividends due to them, using large parts of the profits to enlarge its own wealth and to finance its further corporate conquests: 'du Pont subsidized its own expansion', the *New York Times* of July 1, 1949 quoted the Government's case, 'by using profits from product sales to General Motors and U.S. Rubber . . . made under closed and non-competitive market conditions'.

It is no wonder that the masses of small stockholders remained apathetic to the appeals of Big Business for political support.

There is, however, another potential source of political manpower for the corporations: the owners of the 3½ million small business firms who, in the words of Big Business, give the nation 'a three-and-a-half million fold guarantee for economic democracy', and many of whom took this argument too literally and tried to oppose corporate power.

* * *

These small businessmen range from proprietors of repair shops with one or two hired hands to owners of factories with a score or some hundred workers who proudly call themselves independent industrialists; from little grocers and owners of filling stations along the roads and saloonkeepers at the street corners to heads of commercial agencies with a few ten or hundred thousand dollars capital, who write the magic title 'president' on the glass panel of their office doors. In their incomes, the majority of small businessmen are not far above the level of skilled factory workers or experienced clerks. They pay dearly for their seeming independence, with longer working hours and greater worries and the ever-present risk of losing all they own and owe.

One million small businesses were born in 1945 and 1946, but some four hundred thousand died. In the following four years of prosperity business births were 1,637,100 and deaths 1,414,300. Over two million small firms thus went under in this 'seedbed of American free enterprise' during the first six and a half post-war years. Three out of every ten new small enterprises normally live less than one year, another two or so survive no more than two years, a further one or two are lucky to hold on for four years. Only one-quarter continue in existence for six years or more; very few grow to the business equivalent of a man's mature age; and fewer still are handed down to sons and grandsons, as in the case of the Rockefeller, Morgan, and Ford concerns. And the corporate giants have a great deal to do with this enormous mortality that persists even in boom times.

The ultimate threat that always hangs over the majority of small businessmen is that they may sink back into the ranks of workers or employees, the involuntarily and miserably retired, or straight into those of the unemployed. The unending flood of small businessmen's complaints to Congress retells their story every day, together with the age-old demand for state control over corporate power and state aid to small business in its ever-unequal competition with the giants.

Still, it has proved relatively easy in post-war years to make small business play the game of Big Business.

Their financial frailty gives much power and influence over small businessmen to the banks, which also contribute to their competitive disadvantage. A small merchant or manufacturer who opposes corporate power in his community will be regarded a poor risk by his bank and may either be refused the credit he needs or made to pay a higher interest rate than one who is considered 'loyal'. In any case, a small client has to pay much more for credit than a big one. Compared with an average of 1.9 per cent a year for loans to relatively large concerns, according to a Federal Reserve Board study, medium-sized companies pay 3 per cent or so, while small businesses are charged 5 or 6 and up to 7.4 per cent a year on the same loan amounts.

This does not necessarily make rebels out of small businessmen. On the contrary, if the proper influence is exerted, it makes them anxious to please their banks, to acquire good names politically, too, in the close-knit Chambers of Commerce, where the higher-ups of the business community keep a watchful eye on them, and to sign whatever political petitions they might be asked to support.

As the suppliers and customers of small businessmen, the big industrial corporations have many means of reminding them of their dependence; and when those reminders are categorical enough they usually have the desired results. The men whose business it is to pump gasoline into people's cars or sell rubber tyres, radios and other mass-produced goods, cannot afford to offend their mighty suppliers who know how to find out about their political views and actions. The same is true of the many small manufacturers who have to rely upon a few big corporations for allotments of metal shapes, machine parts, chemicals and innumerable other materials. They are never left in doubt that if they complain to government or Congress about those corporations' misuse of their power, their supplies will be cut off.

The subcontractors of large manufacturing and armament concerns and the small producers of retail goods who are lucky enough to have one of the giant chain stores as their chief customer also have to 'put up or shut up'—as in some typical cases that came to light in an anti-trust suit against the Great Atlantic & Pacific Tea Company. This vast retail concern 'succeeded in obtaining preferential discounts, not by force of its large purchasing power and the buying advantage which goes therewith, but through its abuse of that power by threats to boycott suppliers and place them on its individual black list, and by threats to go into the manufacturing and processing business itself'.

Those who bring suits against great corporations or submit their cases to Congressional committees have become fewer and fewer since the big corporations put the screws on small business after the war.

Going a step further, Big Business actually has won over more and more of its small 'colleagues' by playing up the interests both have in common. After all, when it comes to labour troubles and wage talks with the unions, is not a boss a boss, whether he employs a dozen or a hundred thousand men? On the matter of taxes, is not a businessman a businessman, whether he defends a few thousand or several hundred million dollars of profit against the tax collector? And where 'statist' dangers to the American economic order are concerned, is not a capitalist a capitalist, whether his capital consists of a few old work benches or equals half the wealth in Detroit?

The corporations hired facile writers and speakers to explain these points to small business, painting a grim picture of the sufferings of small enterprises under the 'socialism' that was to be foisted on the United States by Big Labour and Big Government.

The corporations' general staff for this continuing campaign is the National Association of Manufacturers, whose members employ three-quarters of all industrial workers and whose voice is one of the most influential, but of whose very existence, according to public opinion polls, half of the American people are unaware. Field headquarters are the thousands of Chambers of Commerce. And the recruiting offices for militants in the cause of free enterprise are the thousands of special interest associations in every branch and sub-branch of the economy.

Through the unprecedented efforts of these agencies, against the background of the besieged fortress atmosphere and the relative prosperity of the Cold War, corporate power has been finding it less and less difficult to make the small men put up with the dangers of monopoly to their own free enterprise.

Big Business has thus succeeded, to some extent at least, in hiding behind the broad front of the three-and-a-half million private business enterprises, as 'just part of them'. It has taught businessmen to talk its language, use its arguments and, knowingly or not, defend the interests of the very powers which, as by law of nature, must victimize them. The giants, therefore, speak to 'the American business nation' in the name of 'just plain business', telling the people how to save America's 'business civilization' from 'collectivism'.

* * *

Yet, 'over and over again in recent years industrial leaders and corporation managements have been astonished to discover by means of opinion polls how differently the man in the shop and the man in the street react to particular economic questions than does the businessman himself', wrote the *Christian Science Monitor* on September 26, 1947. 'Worse still was the discovery of how low is the opinion of businessmen and their ethics. . . . They would be astonished to hear the unfavourable things said about them.'

The idea of nationalizing important branches of business grew more and more popular in early post-war years. Among those who expressed opinions in a Gallup poll in January 1947, 28 per cent favoured the nationalization of the banks and railways, 30 per cent that of the electric power companies, and 35 per cent wanted the coal mines taken over by the state. 'Previous polls indicate a hard core of 15 per cent of the people would vote for nationalizing any basic industry, and as many as 45 per cent would say "yes" on some industries', wrote the *Wall Street Journal* on October 9, 1947.

The post-war demands some labour unions made on Big Business found approval among large numbers of the general public. Only 39 per cent of a cross-section of Americans were definitely opposed to the thesis that corporations claiming inability to pay higher wages should bare the secrets of their books to the unions to let them judge for themselves, according to a poll of *Fortune* magazine in the winter of 1946. Only 36 per cent opposed the idea that the corporations' boards of directors accept union representatives as members.

'The most important problem business faces today', *Fortune*, the magazine of the nation's corporate elite, wrote in May 1949, 'is the fact that business is not out of the doghouse yet. . . . A majority of the people . . . believe that very few businessmen have the good of the nation in mind when they make their important decisions. They think business is too greedy, . . . that government should keep a sharp eye on business. . . . Ironically, business is spending a great deal more on improving its relations with the people than it has ever spent before on the immense expansion of the art of public relations in the past ten years. . . . Some 4,000 corporations now support whole "public relations" departments and "programmes". About 500 independent firms, some of them knocking down more than half a million a year in consulting fees alone, are supported mainly by business. Public relations courses are offered in dozens of universities and night schools. The papers are full of advertisements that certainly make free enterprise sound convincing to anyone already sold on it. Nobody knows how much it all costs. But if supporting an army of professional good-will makers could do the trick, business ought to be up to its neck in good will. . . .

'Business, in other words, enjoys the most tentative and precarious kind of approval.'

'How long', *Fortune* wondered, would the plain American continue to 'plump for "private ownership" if he thought, rightly or wrongly, that government could do a better job for *him*?'

III The Captive Audience

'In proportion as the structure of a government gives force to public opinion, it is essential that public opinion should be enlightened.'

George Washington.

'Still the best mousetrap . . . at an average cost of approximately 85 cents per thousand people: The Columbia Broadcasting System.'

Advertisement of CBS, addressed to commercial program 'sponsors'. October, 1949.

ON THE UNITED STATES' 176TH INDEPENDENCE DAY, JULY 4, 1951, a newspaper reporter in the university town of Madison, Wisconsin, canvassed signatures for a popular 'petition'. It was made up entirely of extracts like these from the covenants of American democracy, the Declaration of Independence, the Constitution and the Bill of Rights: 'We, the people . . . to promote the general welfare . . . do ordain . . . that Congress shall make no law . . . abridging the freedom of speech . . . or the right of the people peaceably to assemble and to petition the Government for a redress of grievances. . . . That all men are created equal, that they are endowed by their Creator with certain inalienable Rights, that among these are Life, Liberty and the pursuit of Happiness. . . . That whenever any Form of Government becomes destructive of these ends, it is the Right of the People to alter or to abolish it. . . .'

'Only one person out of 122 he approached would sign the document', reported the *United Press* from Madison, the old centre of American progressive tradition, about this sadly revealing test of the people's mind.

'Most persons who refused to sign said it was "for fear of consequences". . . . Twenty persons asked [the reporter] if he was a Communist. A woman reading a section from the middle of the preamble of the Declaration of Independence said: "That may be the Russian declaration of independence but you can't tell me it is ours". A man said: "Get the hell out here with that Communist stuff. . . ." The first man the reporter approached said: "You can't get me to sign that. I'm trying to get a loyalty clearance for a government job". An elderly man said: "I see you are using the old Communist trick—putting God's name in a radical petition".

'The only person who signed the petition was Wentworth A. Millar, an insurance man. He said: "Sure, I'll sign the Declaration of Independence and the Bill of Rights. We were never closer to losing the things they stand for".'

Two decades before, during the Great Depression, the country had been alive with those sacred avowals of American democracy. They were freely cited against an economic order which it was 'the Right of the People to alter or to abolish' since it infringed their 'inalienable rights' and, so evidently, held up the 'promotion of the general welfare'. Big Business, at that time, suffered the worst of its defeats in the so-called idea market. Many Americans lost faith in the corporations' twin gospel of 'success' and 'free enterprise' and turned against them with demands for economic and political reform that would provide material security for all and give sounder ethical values to the nation's life.

Even six years before the Madison test, at the end of the war, most Americans would still have been eager and unafraid to put their names to such a 'petition'—although war prosperity had helped business regain some ideological ground, mainly by means of the new device of 'public service' or 'policy' advertising, intended to 'sell' the people 'the corporations behind your goods' and 'the economic system behind your corporations'.

Ever since, however, Big Business has been carrying on a steadily swelling campaign to discredit the ideal of the 'Welfare State', to replace free, liberal thought with illiberal, unreasoning emotion, and to condition the people for the conflicts that were bound to arise from the great counter-offensives of free enterprise at home and in the world.

As a result, the minds of many Americans have been confused more than they ever were. Fear has subdued many others, and millions, among them most of their political and intellectual leaders, have become victims of 'the infantile mentality, the movie-magazine mind, which thinks a crisis like the crisis of our age can be the work of a handful of conspiratorial Communists, and *can* be resolved, and therefore *must* be resolved, by weapons', as Archibald MacLeish, former Under-Secretary of State, wrote in the *Atlantic Monthly* of June 1950. Others, who still realize that only a reformed American democracy can face the Communist problem with success, have been made to seek personal safety from the new intolerance that sweeps the country, in rigid self-censorship of their own actions, words and even thoughts.

It is not the post-war clash between the Communist and non-Communist worlds which, by itself, has brought about this change in

America's mental atmosphere. It has been caused by the concerted effort of the mass opinion industries to support the physical might of Big Business with greater psychological power and thus to save the economic system from the threat of reform. In this effort, the Communist issue has been playing the role of the club with which to beat down liberal upholders of the basic principles of American democracy —designed to maintain its essence by allowing the United States to move with the times in progressive change.

* * *

Gradually, the mass opinion industries have been turning ever larger numbers of Americans into their Captive Audience, as the advertisers' jargon calls a crowd inescapably subjected to the spell of commercial sales messages.

They have moulded their views and feelings and conditioned them to the basic attitudes and reactions business requires. They have used that artificially created mass opinion to censor, ostracize and intimidate dissenters on its apparent own. Year after year they have made up the nation's mind on all important issues of public policy. And in all these ways the mass opinion industries have given the results of their systematic efforts the appearance of democratic origin, democratic initiative and democratic purpose.

It is a bane rather than a blessing for Americans that they have the world's richest and most versatile mass media, the most profuse advertising, the biggest newspapers, the most alluring magazines, the fastest news services, the most diversified radio and television networks, the most profuse wealth of films, and altogether the most potent techniques of spreading word and image cheaply and plentifully into every corner of the nation. For, all this, rather than making the American people the most enlightened citizens, the keenest and best equipped to rule themselves in an active democracy, only tightens the grip of the opinion industries over their thoughts and feelings.

The very combination of all those gushing pipelines into the people's minds makes the system so surprisingly effective in a society which, as a whole, is still far from political and economic literacy. Whatever corner of their minds one medium may not reach and adjust to the requirements of the economic order, another will gradually conquer. Whatever bias or illusion, taboo or fear the constant hammering of one may not be able to establish, the endless drumming of another eventually will. For most Americans, in the long run, there is no escape from the Captive Audience. One may switch on one's radio only for music or the news but one cannot help hearing the commercial-ideological by-play that infiltrates every programme. One may only scan one's daily paper but one cannot help taking in the headlines that make policy more surreptitiously than editorials. One may try to shut one's mind to the explicit or implicit messages of films, magazines and 'comics', and one's eyes to the obtrusive advertisement scenery of town and country; but one still breathes the all-pervading atmosphere of Big Business ideology which, more than ever, shapes the views and emotions, the talk and reactions of nearly everybody else.

It is a perfectly integrated mechanism, inherent in the economic order, that puts into the mind-moulding service of business everything from the advertising of cigarettes and whisky, underwear and motor-cars to the radio's suspenseful 'soap opera' serials and the evening's comment on the news, from the escapist fiction of films, television, magazines and 'comics' to the information on home and world affairs in the daily newspapers and their mammoth Sunday editions. What makes this mechanism function in perfect unison is no primitively coercive method. No Morgan, Rockefeller or du Pont lays down a common 'line' for the often fiercely competing individual enterprises of the opinion industries. They are in fact much freer from any central directive than one might suspect, considering the extraordinary conformity of basic thought that characterizes their vast and varied output.

The Captive Audience system needs no co-ordination from above; conformity of thought and purpose among all its parts is implicit in its nature. The essential fact is that 'the agencies of mass communication are big business, and their owners are big businessmen', as the Hutchins Commission on Freedom of the Press stated.* 'Like the owners of other big businesses', they 'are bank directors, bank borrowers, and heavy taxpayers in the upper brackets. . . . Through concentration of ownership the variety of sources of news and opinion is limited. . . .

* *A General Report on Mass Communication: Newspapers, Radio, Motion Pictures, Magazines and Books*, 1947, by the Commission on Freedom of the Press. The inquiry that led to this report was suggested by Henry R. Luce, owner of *Time*, *Life*, and *Fortune* magazines, and financed by grants of $200,000 from Time, Inc. and $15,000 from Encyclopaedia Britannica, Inc.

The Commission—more or less disavowed by the Luce publications and the rest of the press when its rather mild report came out—was headed by Robert M. Hutchins, Chancellor of Chicago University. Some of its members were Beardsley Ruml, Chairman, Federal Reserve Bank of New York; Harold D. Lasswell, Professor of Law, Yale; Reinhold Niebuhr, Professor of Religion, Union Theological Seminary; George N. Shuster, President, Hunter College, New York.

In many places the small press has been completely extinguished. . . . Only approximately one out of twelve of the cities in which daily newspapers are published now have competing dailies. . . . Altogether 40 per cent of the estimated total daily newspaper circulation of forty-eight million is non-competitive. . . . Rival newspapers exist only in the larger cities.' And their rivalries are outside the ideological field.

The same Big Business structure prevails in the other mass media: 'There are eight majors in motion pictures, four national radio networks, eight to fifteen giants among magazine publishers, five to twenty-five big book houses. . . . About a third of the radio stations in the United States are controlled by newspapers. . . . The opportunities for initiating new ventures are strictly limited.'

'The right of free public expression has therefore lost its earlier reality', the report continued. 'Protection against government is now not enough to guarantee that a man who has something to say shall have a chance to say it. . . . Owners and managers of the press (including all mass media) determine which persons, which facts, which versions of the facts, and which ideas shall reach the public.'

Like other Big Business enterprises, those of the opinion industries are of course run for profit. But profit, in their case, has to be two-fold: dollar profit from the sale of the word and image they print or screen or broadcast; and goodwill profit, in terms of strengthening the *status quo* of the economic order. For the opinion industries are the ideological exponents of that order, its professional defenders. The only change in their brilliant career from modest professional beginnings to unprecedented ideological and political influence has been that, with the danger of radical reform that threatens the nation's economic order and with the increasing concentration of economic power in their own ranks, these industries have become more and more conscious of the need for goodwill profit. 'Sell more than a product', the National Conference of Public Relations Executives repeats over and over again, 'sell the system that that product represents as the symbol of individual freedom.'

* * *

The very basis of the Captive Audience system is commercial advertising, financially as well as ideologically. Financially, it supports the opinion industries with about $5 billion each year—as much, according to official figures, as Americans spend on all private education and research, political organizations, religious and welfare activities, and legal services.

Advertising patronage is largely concentrated in a relatively few Big Business concerns. 'Fewer than a hundred-and-fifty advertisers now provide all but 3 or 4 per cent of the income of the radio networks, and fewer than fifty provide half the total', stated the Hutchins report. 'One advertiser gave the A.B.C. network [American Broadcasting Company] one-seventh of its income; two gave it a quarter, and ten more than 60 per cent.' Even the small advertiser's dollars come to the opinion industries largely through Big Business concerns—a few powerful advertising agencies acting as experts for those who want to sell their goods. Three of them, J. Walter Thompson, Young and Rubicam, and N. W. Ayers & Son, have been responsible for nearly one-third of their total business. 'A dozen and a half' of these agencies, the Hutchins report found, provide 'about half the income' of three great national radio networks.

The financial influence of advertising money on editorial policy is sometimes direct, as in the case of ex-Mayor Fiorello H. LaGuardia of New York and the publisher of *Liberty*, Mr Paul Hunter, who tried to increase the circulation of his magazine by 'sponsoring' LaGuardia's extremely popular, outspokenly liberal Sunday news commentaries over the A.B.C. network. 'Mr Hunter called me in Washington yesterday', LaGuardia announced on May 30, 1946. 'He told me the advertisers didn't like my Sunday night radio program. They were pressing him hard. He didn't know what to do. He stated he was frantic and couldn't afford to lose the advertising. He begged me and apologized that he had to terminate it at once.' Thus began the nationwide political 'self-censorship' of the radio.

Another example was given by the Hutchins report: 'The American Press Association, advertising representative for about four thousand weeklies and small-town dailies, obtained from the U.S. Steel Corporation and American Iron and Steel Institute a big order of "policy" advertising in connection with the steel strike, which was placed in fourteen hundred small-town newspapers. The advertising representative thereupon wrote a letter to the fourteen hundred publishers, saying: "We recommend that your newspaper be put on [the Steel Institute's] schedule, as the best territory; and we are counting on you to give them all the support that your good judgment dictates. This is your chance to show the steel people what the rural press can do for them. Go to it, and pave the way for more national advertising".' But as a rule such crude action is unnecessary since the same general outlook prevails among publishers and radio and television managements as among advertising clients and agencies.

Even more important than the financial hold of advertising over the opinion industries is its own ideological role. Not only because nearly half of the contents of newspapers, magazines and radio programmes, according to the Hutchins report, is advertising; but because it has literally bought radio and television, body and soul. The large advertising agencies 'not only place the contracts', the report confirmed, 'but also write, direct and produce the programmes'—the mystery and suspense features, the fun and music, education and information, news and news comments, all that cleverly presented foil for some twenty-million commercial 'spot announcements' sent over the air during an average year. In consequence, broadcasts have become 'such a mixture of advertising with the rest of the programme that one cannot be listened to without the other', and that 'the great consumer industries . . . determine what the American people shall hear on the air'.

Moreover, commercial advertising in itself sets the psychological pattern for the mind-moulding efforts of all the mass opinion industries. It is the perpetual kindergarten of the Captive Audience, scientifically conducted for the purpose of preventing the American people from reaching mental maturity, of making them into good, docile, gullible children, whom their mentors, who know what is best for them, can smoothly guide wherever necessary.

In this basic shopping sphere, as in the higher, political grades of the Captive Audience system, the first rule is to give people the illusion that they, really, are the masters of business. 'How many times did you "vote" today?' a typical advertisement of the National Association of Manufacturers asks a pretty, young housewife. 'Each time you buy a bar of soap or a loaf of bread or a necktie . . . you cast a "vote" . . . it's really you—not the manufacturer or the retailer—who sets the size of prices and profits.'

The model 'voters' of this ideological kindergarten are a homunculus couple with their homunculus children who, from millions of advertisements that sell all kinds of goods, haunt the American scene: synthetic million-dollar smiles on their vacuous faces, the bounce of utter well-being in their buoyant strides, songs of deep-down self-satisfaction in robot hearts that throb under immaculate clothes to the exuberant melody SUCCESS. They are 'Mr and Mrs Average American' with the 'Generation of Tomorrow', more familiarly referred to as 'Joe Doakes', the 'Little Woman', 'Junior' and 'Sis', frequently in the company of a wise 'Granny' who firmly supports the advertiser's claims, and a Truman-like, equally affirmative 'Grandpa'. Those homunculi have all the traits Big Business tries to implant in American mentality: they are naive and uncritical, conformist and escapist, 'sold' in advance on whatever is pressed on them or easily enough shamed or frightened into buying a certain breakfast cereal or under-arm deodorant, necktie or motorcar which will make them successful, well-liked and happy; a brand of whisky that will raise them to the social status of the nation's 'distinguished'; or, 'if you are over thirty-five', a laxative called Serutan because 'if you spell Serutan backwards, it reads "nature's".'

Behind the primitive drumming techniques used to standardize the minds of Americans—first on commercial and then on social and political matters—is the realization that people 'make decisions in large part in terms of favourable and unfavourable images, . . . relate facts and opinion to stereotypes', as the Hutchins report put it. Thus, 'the motion picture, the radio, the book, the magazine, the newspaper and the comic strip' have become 'principal agents in creating and perpetuating these conventional conceptions', serving not only the purpose of each particular opinion business but also the higher ideological purpose they all have in common. With the result that, in the words of the report, 'much of what passes for public discussion is sales talk'.

The basic psychological approach of all mass opinion industries to their public is well characterized by the 'trade ad' of the advertising agency Schwab and Beatty, which points to the significant changes of popular attitude already achieved and to be further exploited by 'slanting advertising copy in line with the preference of the mass audience':

'The General Trend Of Our Times Is Toward A Preference For:

Success		Integrity
Spending	I	Saving
Restlessness	N	Rest
Self-Indulgence	S	Self-Discipline
Desire for the	T	Affection for the
New or Novel	E	Old and Tried
Show	A	Solidity
Dependence	D	Self-Reliance
Gregariousness		Solitude
Luxury		Simplicity
Ostentation	O	Restraint
Easy Generosity	F	Wise Giving
Quick Impressions		Genuine Thought'

Leading businessmen frequently elaborate on the theme of fostering the people's negative emotions, dissatisfaction, insecurity, envy and fear, in order to sell them their remedies and escapes, their goods, ideas, and finally their policies for the nation as a whole.

'Only by creating dissatisfaction among the public with the products it now has can industry keep the United States economy functioning at a high level', stated Paul G. Hoffman (*New York Times*, October 16, 1947), before he became Marshall Plan administrator in what he called the 'tired old countries of the old world', where business has not succeeded quite so well in diverting the people's minds from dissatisfaction with basic conditions to an escapist wish for new gadgets and possessions they do not need or can ill afford, and where citizens, despite their greater want and their equally great desire for material betterment, still manage to keep part of their minds free for thought about the fundamental means of achieving genuine progress and security.

'We must make these women so unhappy that their husbands can find no happiness or peace', B. Earl Puckett, president of the Allied Stores Corporation, said in June 1950, trying to stimulate the lagging garment business. 'Most women lead lives of dullness, quiet desperation . . . cosmetics are a wonderful escape from it. . . . The reason women buy cosmetics is because they buy hope', *Business Week* of August 12, 1950 quoted a prominent sales manager. 'It's enough to scare 'em into buying a pair of "fresh" shoes', the trade magazine *Leather and Shoes* advised shoe salesmen about the 'discovery that "the average pair of worn shoes carries 8,000,000,000,000,000,000,000,000 potentially harmful germs. . .".'

'"Aw gee, Pop, why can't we get a television set?"' read an advertisement of the American Television Dealers. 'You've heard that. But there's more you won't hear', it tried to frighten parents and to stir children reading this argument over their shoulders. 'Do you expect a seven-year-old to find words for the great loneliness he's feeling? He may complain "that the kids were mean and wouldn't play with me". Do you expect him to blurt out the truth that he's really ashamed to be with the gang—that he feels left out because he does not see the television show they see. . .?'

Big Business, in its 'public service' advertisements uses the same methods to make the people 'buy' its creed. A typical news release of the National Association of Manufacturers of March 1, 1949 urged sales executives to use 'the greatest sales opportunity in the world', 'to 'sell the American people "the truth of freedom" [of enterprise.] Russia has invaded the American market . . . and many of us have bought samples . . . by accepting government controls.' The president of the American Newspaper Publishers' Association called on the press to 'sharpen its vigilance against "insidious forces" working to "undermine our democracy", . . . evils of government by directive, the welfare state, communism disguised as democratic socialism, all the threats to the principles Americans hold dear'. (*New York Times*, April 27, 1950.)

The mass opinion industries follow these well-tried recipes of frightening the people into accepting the desired domestic and foreign policies. In the radio's daily murder mysteries and soap operas, demented Communists have taken the place of the customary hijackers and adulterers, and dashing young reporters, 'G-men' and counter-intelligence officers that of Wild West 'bronco busters' and Horatio Alger 'rags to riches' heroes. The magazines print—side by side with advertisements about the dangers to health, life and prestige, to happiness and success in career and love that can be allayed by this or that product—garishly illustrated 'semi-fiction' stories about atom war, such as 'Hiroshima, U.S.A.', showing how New York's skyscrapers may some day bend and totter, 'their molten tracery illuminating the heavens', and 'an ugly red-brown scar' indicating where a vast population used to live. And dangers like Red parachutists suddenly breaking out of the woods somewhere in a United States at peace, now provide the suspense element in love stories which, otherwise, stick faithfully to old stereotypes.

In Hollywood, already in November 1947, 'one important executive hazarded privately' to the *New York Times*, that 'the prevailing attitude in public opinion will stifle for several years hence the production of films containing any "social significance", lest they be considered "red".' By 1950 his prophecy had come true to such an extent that a studio 'cancelled a movie dealing with Henry Wadsworth Longfellow's "Hiawatha" who "smoked the calumet, the peacepipe, as a signal to the nations",' the same paper reported on September 17, 1950; for, 'the picture might be regarded by some as Communist peace propaganda because Hiawatha had tried to bring peace to the warring Indian tribes of his day.'

Washington, too, has been using the sales method of fear, employed with such success to make the people buy goods, escape, and the economic *status quo*—to 'sell' them armament appropriations and foreign policy decisions. 'The most successful way to introduce a foreign policy in Congress is to oversell it piecemeal in an atmosphere of crisis', wrote the *New York Times* on March 16, 1947. A Colonel of the Industrial College of the Armed Forces, lecturing to 'selected civilians' in New York on June 13, 1950, characteristically demanded not an enlightened but 'an aroused public opinion', since 'the proper mobilization of the public viewpoint was one of the most important phases of all economic mobilization for war'.

There is indeed a 'new fatefulness attaching to every step in foreign policy and to what the press publishes about it', the Hutchins report observed. 'The preservation of democracy and perhaps of civilization may now depend upon a free and responsible press . . . if we would have progress and peace.' But the press, on the whole, has been failing sadly in this duty: 'the few who are able to use the machinery of the press have not provided a service adequate to the needs of society . . . the news is twisted by the emphasis on firstness and the novel and sensational; by the personal interests of owners, and by pressure groups. . . . Too often the result is meaninglessness, flatness, distortion. . . . The citizen is not supplied the information and discussion he needs to discharge his responsibilities.'

The report gave special mention to American reporting about the creation of the United Nations at San Francisco, because it set the tone for the fateful years that followed. 'On many days during the weeks the Conference was in session there was nothing to report. But the reporters had to send in their stories. Somehow there had to be news. The result on the lower levels was a series of personal items modelled after the Hollywood fan magazines and on the higher levels a distorted account of what took place. Because drama and tension were demanded by the editorial desks back home, drama and tension were manufactured at San Francisco. Hence calm was turned into the calm-before-the-storm. Silence became the „silence-of-impending-conflict. The passage of time became a portentous period of delay. So completely was the task of manufacturing suspense performed that, when after some weeks an acceptable charter was signed, the effect on newspaper readers was one of incredulous surprise.'

Six years later, on June 12, 1951, Paul G. Hoffman, the former administrator of the Marshall Plan, confided to the *New York Herald Tribune* (international edition) in Paris: 'I could break into every newspaper in America if, when I return to New York, I said: We ought to drop an atomic bomb on Moscow right away. But if I say that peace can be won through patience and firmness, it wouldn't get into a single paper.'

The more the world's peace came to depend upon sane and enlightened public opinion in the United States, the thicker grew the walls of the Captive Audience that isolate it from the outside world, and the more irrational became the tunes that were played to it.

'Instead of persuasive reason, evidence and candor, the people get only pronunciamentos, handouts, ipse-dixits, hot adjectives and stale platitudes on the issues of life and death', Walter Lippmann—probably the most serious and conscientious political analyst among American conservatives—wrote on January 1, 1951.

A while later, he warned in vain: 'Democracy does not have to be sold like a deodorant.'

IV The Business of Government

'The business of influencing legislation is a billion-dollar industry.'

Frank Buchanan
Chairman, Special House Committee on Lobbying Activities.
October 21, 1950.

'Democracy vanishes in a captive community because the ordinary citizen, for practical purposes, has nothing to say about his Government.'

Report of the Senate Crime Investigating Committee
August 31, 1951.

AMERICA STILL HAS 'TO ADAPT AN EIGHTEENTH-CENTURY political system to a twentieth-century economic system'. For nothing has been done to reform the outdated political institutions of the United States since the Temporary National Economic Committee of the U.S. Senate gave this warning shortly before the war.

The nation's political democracy remains as weak as ever, while the steadily growing 'concentrated power' of Big Business, in the words of Senator Joseph C. O'Mahoney, the former chairman of this now defunct Committee, is 'endeavouring to gain control of the agencies of government which were created to preserve equal opportunity for all'.

It is a vicious circle that continually diminishes the people's control over their democracy and enhances the political power of business. The stronger the economic and psychological might of business grows, the harder it becomes for the people to assert their influence on the affairs of state. And the more the people seem to abdicate their democratic rights and duties, the more business feels confirmed in the view that it holds a tacit mandate from them to save the nation by guiding its political institutions.

The decreasing popular participation in America's political life is undeniable. In 1896, 83 per cent of the potential voters cast their ballots; in 1916, 72 per cent; in 1944, 56 per cent; in 1948, barely 51 per cent.* That year, since little more than half of the total vote

* The percentages of eligible voters who went to the polls in recent elections of comparable importance were 90 per cent in Belgium, 89 per cent in Italy, 82 per cent in Britain, 75 per cent in France, 70 per cent in Japan.

favoured Harry S. Truman, a mere 25.3 per cent of the people elected the President of the United States for four crucially important years.

It is true that not all the ninety-odd million potential voters are able to use their right. Close to eight million Negroes and poor whites in the Southern states are still kept from voting by discriminatory measures like poll taxes and often by bodily threats. Some three million Americans are barred for illiteracy. Half a million are disfranchised as residents on Washington's Federal territory, the District of Columbia, supposed by the Constitution to be above politics. Several million are invalids, in jail, or otherwise prevented. But two-fifths of all who are free to vote usually abstain.

Only a small fraction of the voters take part in primary elections, which in a way are even more important since they serve to select the candidates of the political parties who are to oppose each other at the final polls for the people's choice for Congress and other legislatures. In New York City only 72,000 of 2,362,748 voters who were registered in the parties' lists, or about 3 per cent, used their ballots in the 1948 primaries. Even fewer are active at the grassroots of American democracy, in the local, state and national activities of the two great political parties, where the nominees for candidature in the primaries emerge and where the Constitution assumes policies to be shaped and controlled by the people. There, most of the few participants are now 'professionals' with special, far from public, interests.

The deterioration of the American party system has as much to do with the people's political indiscipline as the a-social influence of the opinion industries.

The Democratic and Republican parties hold all but one or two seats in Congress, and their vested interests are so strongly entrenched in every state and precinct that it is all but impossible for new parties to develop. Yet they have ceased to give the people any real choice of policies and actually pride themselves of the basic identity of their political creed.

'In America, fortunately, Tweedledum and Tweedledee have both practically the same set of principles, with some difference of emphasis represented almost entirely by the character of their candidates. . . . Our parties are organizations for getting into office and that is what they ought to be (since it would be) dangerous to have two parties with principles far enough separated to make the jump from one to the other a radical change.'*

* Hon. Richard M. Nixon (Rep.), later General Eisenhower's running mate in the 1952 elections; *Congressional Record*, January 12, 1948.

'Radical change', however, is the very issue that divides America. It is what most of the people have long been wanting, yet what business is determined to prevent. To exclude it from practical politics is the all-overruling interest of both parties, the supreme task on which they fundamentally agree.

This is why so many business corporations, even if they do not particularly like this or that individual candidate, support both parties with generous contributions to their election campaigns. 'Businessmen and corporations pay at least 85 per cent of the American political bills, mostly under the table. . . . They can purchase political influence that may be worth many millions for sums which they . . . hardly feel', Joseph Alsop wrote in the *New York Herald Tribune* of November 30, 1951.

The sameness of the two political parties, and the fact that business finances both, are in turn the reasons why organized labour as a whole has so often been unable in recent years to make a definite choice between them.

The rivalry between Democrats and Republicans is as genuinely fierce as it is noisy and as a rule mutually defamatory. It sometimes provokes serious crises in domestic and foreign affairs. But it is essentially a rivalry for office. Congressional elections are never more than two years off, and electioneering at all times distorts and magnifies what actual differences sections of the two parties may have on certain policies. And those differences always arise from a common basis of political creed.

In domestic affairs, there is much hotly exploited difference between Democratic and Republican opinion on details of social, financial and other policies, and the controversy sometimes gives the impression that the Democratic Party is the champion of real economic and social change. In practice, however, bi-partisan majorities always stave off any remote threat to the *status quo* of the economic order. They usually co-operate to pass legislation against labour when it is needed in this primary interest and join on minor 'welfare state' measures when they are considered necessary to blunt the edge of dangerously sharp popular reform demands.

Similar differences on details of policy disguise the sameness of the two parties' basic views on international affairs and particularly the great post-war conflict with the Soviet Union. 'Talk about the negotiation of peace is discouraged as wishful thinking by the Democratic Department of State on one side, and denounced as subversive activity by certain Republican politicians and newspapers on the other', wrote the former Under-Secretary of State, Archibald MacLeish in the

Atlantic Monthly of June 1950; and both political camps 'are busily preparing even now to make the next national election a competition in patrioteering with the prize of office to go to the man or the party which can prove that it has hated Russia loudest, longest, and with the most irresponsible invective.' The post-war 'isolationism' of the Republican right wing has differed from the 'internationalism' of other Republicans and Democrats mainly so far as the one seeks to concentrate American strength first on Asia while the others want to focus it mainly on Europe.

The basic identity of the rival political parties on matters of political principle showed itself as clearly as ever during the preparations for the 1952 presidential elections. 'The issues of policy are important, and they may be supremely important', Walter Lippmann wrote in the *New York Herald Tribune* of July 18, 1952, 'but the parties are not divided on these issues. The issues cut horizontally, as it were, across the vertical lines which separate the parties. What the election can and will decide is not the issues, be it Korea or civil rights, but what group of men will win the power to organize the next Administration. . . . The biggest fact about the government today is that the men at the top have lost the power to decide and to direct even in the great questions.' That is, the men at the top of the parties and of government —not the men at the top of business, who were able to choose two presidential candidates equally opposed to radical change: General Dwight D. Eisenhower for the Republicans, and Governor Adlai E. Stevenson for the Democrats.

The people have no real choice either, where the merits of the Democratic and Republican party 'machines' are concerned. The sad state of affairs in both organizations was well summed up by Professor James M. Burns in the *New York Times* Magazine Section of October 3, 1948: 'On the local level, organization is often stagnant, if not moribund. Committees rarely meet and attendance is poor. . . . Most disillusioning of all is the inglorious nature of local party operations. Any hope that men have banded together for the sake of grand principles may quickly evaporate. The main reason for party activity often turns out to be the "cohesive power of public plunder". . . . Even more serious is the condition of our parties on the national level. . . . They are dominated by state and local bosses who are less interested in public policy than in private spoils.'

'The use in both Democratic and Republican parties of maneuvers whereby professional politicians select the nominees [to the candidature for President of the United States] is a body blow against confidence in the two-party system and in the government itself', David Lawrence wrote in the *New York Herald Tribune* of July 10, 1952, referring to the customary behind-the-scenes machinations in both parties' pre-convention campaigns for the presidential elections. 'For, if politicians select the nominees without regard to the wishes of the people, there can be little faith in their utterances or pious expressions on national and international policy.'

To what moral depths the grassroot politics of both parties have been sinking has been shown in recent years by many local scandals, but never quite so clearly as in the report of the U.S. Senate's Crime Investigation Committee in 1951 which described the interdependence of the party machines and organized crime. The illegal gambling 'industry' now plays the major role in this alliance and its power is enormous since, according to estimates given to the Committee, its annual 'take' is between $15 and $28 billion a year—roughly as much as America's farmers, whose annual post-war income has varied between $15.6 and $21.8 billion.

The report showed that 'the corroding influence of organized crime and political corruption reaches down from the largest cities into the smaller towns throughout the land', the *New York Times* wrote on September 1, 1951; 'the survival of this nation as a liberal democracy will depend in large degree on the success with which the American people are able to combat this baleful force that would subvert our moral standards and our political stability'.

'Democracy vanishes in a captive community because the ordinary citizen for practical purposes has nothing to say about his Government', the Committee concluded. But how can the ordinary citizen hope to break out of this political captivity—that 'unholy network of gambling, bootlegging and drug peddling' with its 'undercover tie-ups with political machines' which has 'corrupted Federal, state and local officials throughout the country'—while the mass opinion industries hold him in mental captivity?

Little became known about the extent to which business is involved in this collusion of crime and politics. The Senate report established incidentally that some outstanding business corporations, as in the grim past of their bloody gang wars against the young labour unions, are still using organized crime gangs for the violent suppression of labour 'agitation'. And Spruille Braden, chairman of the New York City Anti-Crime Commission, warned on March 24, 1951, that 'American business is risking its own destruction and the collapse of the American way of life by tolerating the infiltration of legitimate business by underworld characters', which the Senate report stated to be the case in forty-six branches of industry. But it is clear that the great corporations apparently have seen no reason, so far, to fight the tie-up of crime, politics and business half so seriously as they fight 'labour agitation' and reformist influences. For, no matter how many businessmen sincerely regret the decay of party morals, the corrupt political 'bosses' and their gangster allies do not threaten the economic order with change. On the contrary, both are for free enterprise, have their own reason for not sponsoring reformers for local, state and federal offices, and prove successful in denying them political power.

This may actually be one of the reasons why Big Business seems to concern itself somewhat less than formerly with the actual choice of particular party candidates for elections. Many towns and counties, some cities and even entire states still depend for their existence on one or a few large business corporations, and it is only natural for such companies to use all local influence to send their own men to Congress and other legislatures. It is natural, too, that business interests everywhere try to make certain, with the help of local press and radio, that the two parties' candidates are more or less of the desired type. On the whole, however, 'while the business community may, on occasion, elect "its man" to Congress or to the Presidency, or secure his appointment to a governmental office or to the courts, its indirect influence is of far greater importance', as a report of the T.N.E.C. stated in 1941. 'Pressure groups generally find it more satisfactory to influence the votes of legislators in their behalf than to try to elect their own representatives to office.'

* * *

On the legislative level, the first concern of business is still with the forty-eight states of the Union, through which it has always wielded a great deal of its political power. Not even the white supremacists of the Southern States are more zealous than the business corporations to maintain and increase outdated States' rights in order to circumscribe the power of 'Big Government' in Washington. Their wish, naturally, is to divide and thus more easily to guide governmental authority; to face with their nationwide economic and psychological power nothing more potent than a relatively loose federation of the forty-eight still not quite united states. 'By insisting on the principle of federalism—the division of power between the States and the Federal Government—as a basic tenet of our political philosophy', the same T.N.E.C. report stated, 'corporations have been able in large measure to limit the strength of the political power which might control them.'

Big Business is the most ardent supporter of anti-Washington trends in the State capitals. Its 'public service' advertisements allege time and again that 'Big Government', contrary to the Constitution, is seducing the States into ever greater dependence upon federal 'handouts' and thus 'leading the American economy toward the kind of national crisis that has led other countries into various types of statism'. (*News Release of the National Association of Manufacturers*, April 14, 1949.)

The fight against Communism has become a convenient weapon in this struggle against federal control. The denunciation of many high-ranking government officials as 'pro-Red', which has so often astonished the world with its demagogy, has been intended to undermine not only the Democratic Party to which those officials belong, but the authority of the Federal Government as such—in line with the 'long-range program' of the N.A.M. 'to return the bulk of governmental functions to the states and local communities'. (*New York Times*, February 19, 1950.)

But Washington itself is naturally the main field of the political activity of Big Business. It must try to counteract whatever relatively liberal elements there are among Democratic and Republican Congressmen, mostly from districts where organized labour is strong. It must try to offset any pressures constituencies may exert on their representatives reminding them of the promises of social reform and monopoly control which so many candidates have to make during election campaigns. It must try to muster Congressional majorities for the particular legislative needs of various branches of business, like steel and oil, electric power and shipping, the railways, insurance, and so on.

To accomplish all this there are the 'lobbies', the countless representatives of the vested interests. This 'third house of Congress', unknown to the Constitution, has more and generally better qualified members than the House of Representatives and the Senate. They consist of highly-paid experts in their specific fields, well versed in law and practical psychology and enabled by their employers to match their powers of persuasion with corresponding amounts of cash and favours.

'I firmly believe', Chairman Frank Buchanan of the Special House Committee on Lobbying Activities said on October 21, 1950, 'that the business of influencing legislation is a billion-dollar industry'; to which he added that lobbying was 'good and proper and in keeping with our great American rights of free speech and a free press'.

The Congressmen on whom these lobbyists work day in and day out and on whom Big Business constantly showers floods of telegrams, letters and telephone calls, organized by its many local 'pressure groups', are scarcely representative of the people as a whole. Six out of every ten members of the typical Congress of 1948 were lawyers. ('The bar is on most questions sympathetic to the views of the business community', T.N.E.C. observed.) 'Businessmen, educators, farmers and journalists (are) filling in most of the remaining seats in that order', wrote the *New York Times* on May 23, 1948; and among the rest were a butcher, a former tailor, a bricklayer, a railroader, an ex-F.B.I. (Federal Bureau of Investigation) agent, 7 former sheriffs, 7 doctors, 2 dentists, a veterinarian, 2 architects, 2 grain dealers, a one-time auctioneer, 2 well-known song writers, 3 college presidents, an ex-Texas Ranger, 6 accountants, 2 automobile dealers, an All-American tackle, 2 ministers, a druggist, 15 insurance salesmen, 2 former actors, 6 engineers, 3 housewives.

It is virtually impossible for the average Congressman to do justice to his tasks, especially since manifold minor chores for influential constituents have come to take up most of his time—chores that range from securing government contracts and jobs to conducting visitors through Washington. Merely to follow the main debates on the floor and read up on the proceedings of some of the numerous committees that sit simultaneously, a Congressman would have to spend all his waking hours. If he really wanted to know how his voting will influence the welfare of the nation, he would have to read most of the 10,000 bills that are introduced, or at least of the 1,300-odd that are enacted by an average Congress.

But 'an American Congressman who, for the best of reasons, offends local pressure groups (because he) wastes his time on mere national issues of the first order, may be out—and out forever,' wrote Professor D. W. Brogan in the *New York Times* Magazine Section of July 7, 1946; so that 'Congress is full of men who have had more sense than to prefer the general welfare to the local interest'. Further, even if a Congressman is a champion work horse and a true hero in his resistance to the lobbies, he still has to face the pressures of his party 'bosses' in that 'mysterious, whisper-filled domain known as "cloakroom politics" in which wavering Congressmen are bludgeoned into line with threats, bait, plunder, and patronage, (where) judgeships, dams, post offices, naval bases and even veterans' hospitals have been the medium of exchange countless times in the past and probably will be countless times in the future'. (*Newsweek*, May 23, 1949.)

'The framers of the Constitution intended that Congress should be the dominant branch of our Federal Government and invested it with the necessary powers, but Congress has failed to develop', a reviewer of the *New York Times*, on November 17, 1946, summed up a book by the staff director of the Joint Committee on the Reorganization of Congress. 'There is a tendency in Congress itself to envelop its archaic eighteenth-century machinery with an aura of sanctity, never to be tampered with.'

No wonder that under such conditions of law-making—unchanged mainly because they suit free enterprise—Big Business wields the decisive influence in Congress; and that, as Professor Sumner H. Slichter wrote in *Fortune* magazine of September 1949, 'business has enough influence to defeat in any year most of the new proposals' of the critics of the economy, even though the trend continuously goes against corporate power.

Nor is it surprising that Congressmen have little to fear from their electorate where their neglect of important national issues is concerned: public opinion polls show that almost two-thirds of the voters do not even remember the names of the men they are somehow made to send to Washington. And half of those answering the question whether they believed it to be 'possible for a man to go into politics and remain honest', answered 'no'.

It is symptomatic that the Democratic Majority Leader, John W. McCormack of Massachusetts, and a high-ranking Republican Congressman, Dewey Short of Missouri, did not draw upon themselves the public's wrath when they 'went out of their way to praise a former colleague, Andrew J. May, who is now serving a prison term for accepting bribes for the use of influence in the award of war contracts', and that they dared to call this convicted criminal 'a great American—"indiscreet" perhaps, but one of whom his former constituents would be justified in being proud'. (*New York Times*, August 17, 1950.)

By contrast, one of the staunchest New Deal Senators, Claude Pepper of Florida, was defeated for the simple reason that his political enemies knew how to exploit the post-war atmosphere of obscurantism and unreasoning suspicion which has been fostered on the fertile soil of political illiteracy. This is how the *New York Herald Tribune* of May 3, 1950 described the campaign speeches of his opponents that made the irreproachable, popular Senator lose his seat: ' "J. Edgar Hoover (chief of the Federal Bureau of Investigation), the whole F.B.I. and every member of Congress knows that Claude Pepper is"—a breathless pause—"a shameless *extrovert*. Moreover, there is reason to believe that he practices *nepotism* with his sister-in-law, and that his sister has been a *thespian* in sinful New York. Finally—and this is hard to believe—it is well known that before Pepper was married he regularly practised"—a more breathless pause—"*celibacy*". . . . Among those Florida voters with limited vocabularies there was said to be much indignation at these horrifying revelations.'

* * *

The Federal administration in Washington has 1,816 major component parts and over 2 million employees. In the words of the Hoover report of 1949, it is a 'chaos of bureaus and sub-divisions', in which 'lines of command and responsibility' are 'thoroughly confused', due to 'haphazard growth and organization'. Franklin D. Roosevelt already warned in 1937 that 'neither the President nor the Congress can exercise effective supervision and direction of such a chaos of establishments (since) the executive structure of government is sadly out of date (and) antiquated machinery stands in the way of effective administration and of adequate control by the Congress'.

Yet this outdated administration remains as unchanged as the outdated party system, the outdated Congress, and the outdated Constitution on which all are based; even though their tasks have grown tremendously and though the fate of the world has become dependent upon the way America is ruled. For no matter how much Big Business derides 'Big Government', chaos in the administration is as useful to corporate power as chaos and incompetence in Congress, chaos and corruption in the local and national party machines, and chaos and political apathy in the minds of the electorate.

'There is more than one way to do business with the Government', *U.S. News & World Report* explained on August 26, 1949. 'Testimony out in the open, hints at business by friendship, business by pressure, business by gifts. . . . There are revelations of "fixers" with White House entree. . . . Men who made large campaign contributions sometimes finding that their companies had landed large Government contracts. . . . High up in Government, one official is referred to as a man with a past association with this financial group; another official as the former associate of that group. . . . Ambassadorships and diplomatic appointments often have followed campaign contributions (and) still do.' Influence through appointments also works the other way: the number of former government executives, generals and admirals in leading business posts has been growing all the time; and they are often appointed long enough in advance to make them useful to their future employers while still in public service.

The 'influence business' goes up to the very top of the political hierarchy, the White House. In 1949, the scandal of the 'five per-centers'—large numbers of politically well-connected middlemen who secure government orders for clients at a five per cent commission—revealed that persons of the President's 'official family' have been granting favours against presents of 'deep freezers'. The sensational 'Mink Coat' and tax scandals of 1951 and 1952 once more showed up the wide ramifications of corruption in Washington.

But the Republican rivals of the Truman administration were justly reminded by Democrats that the scandals under former Republican regimes had been no less odious and of even greater dimensions.

Corruption is not the monopoly of either party. It is the inevitable attribute of a feeble political system exposed to the constant pressures of infinitely stronger economic powers which have every interest in keeping government weak; of an essentially democratic system lacking the indispensable protection of an alert and active public that really considers the government its own.

A mere change of President or party cannot reduce the danger of corruption, just as it cannot automatically overcome the other weaknesses of America's political order—unless elections are first fought on the issue of reform, unless the democratic spirit of the people begins to reassert itself, unless a mandate for change can be freely voted by the electorate.

America once seemed to be coming close to such a development, during the best days of the New Deal in the thirties. But the radicals who then fought for reform and were so eloquent in their support of change have become 'strangely quiet and even a little frightened', as James Reston reported in the *New York Times* on November 2, 1950. 'In the present atmosphere of suspicion, no liberal can get up and pronounce his views with any vigor without being smeared as a fellow-traveller. . . . Too many men have been attacked in the last year with impunity. The defence, no matter how persuasive or complete, never quite gets as much display or attention as the charges and never quite catches up with the accusations.'

The way 'to neutralize the powers to do harm of the Communists within our gates is not to impose such curbs on freedom of speech and press and political association as to render suspect all but the most orthodox, the most conformist', the same paper warned on September 6, 1950.

'That is not the way democracy grew to its present strength and that is not the way democracy will survive.'

Part Two

THE DANGEROUS DRIFT

V The Fear of Depression

'As long as there is danger of war and as long as the nation's budget for defense is maintained at a high peace-time level, there is little chance of a serious recession developing.'

New York Herald Tribune
May 3, 1948.

'THE CONGRESS RECONVENES AT A TIME OF GREAT emergency. . . .', President Harry S. Truman told the special peace session of the people's representatives on September 6, 1945. 'The end of the war came more swiftly than most of us anticipated. Widespread cutbacks in war orders followed promptly. . . . This has led to a natural feeling of uneasiness. . . .'

This uneasiness, this fear of depression which spoiled the hard-won peace, has never vanished from the American scene. It has never ceased to dominate the American mind, to determine American domestic and foreign policies and to shape the course of world events.

It remains one of the most important yet least understood factors in the post-war world.

If depression has been forestalled from year to year and prosperity, though spotty and unstable, continued in post-war America, it has been due not to reform of the nation's economic order but to the steady waning of the peace, the quick return to a partial war economy.

'Pretty much everyone liked the economic consequences of the 10 per cent war. . . . Businessmen found profits bigger than ever; workers found wage increases easily forthcoming; employment was high; farmers prospered. . . .', *Business Week*, on December 9, 1950 summed up the circumstances which staved off depression, even before the great post-Korean armament boom started the new era of the 'twenty per cent war'.

Yet the country's economic life since the second world war has never been on an even keel.

Each year until the Korean outbreak, usually in late winter or early spring, prosperity would get a jolt. Each time the fainting spell would be somewhat deeper, last a while longer and have more victims. The grocer at the corner would worry again about his business, and so would the farmer and the boss in office, store and factory. For, more goods piled up than people could buy. The mines and mills and workshops would lay off workers and cut production, to get ready for the storm. Some prices would come down a little from their dizzy heights, just enough to make people wonder what was to follow. The stock exchanges and luxury trades would get nervous, the banks would become stricter with their loans, the speculators in the big grain, textile and metal markets would switch positions, and business barometers would drop another few points lower than the year before.

Each time the memories of the depressed thirties would come back to the people, more real and stark than those of two world wars, more frightening than the talk of another world war, a war with atom bombs.

Was this IT again, 'another 1929', or merely a harmless dip of the business cycle, a corrective recession, a beneficial bit of disinflation? There were always new names for IT, and in 1949, when another two million workers suddenly lost their jobs and the volume of industrial production fell one-sixth in the course of eight months, the disturbance was even called a mere 'economic burp', in the words of a witness before a Senate Committee, 'a burp, but not a real bellyache'.

Americans never quite trust assurances that such economic tremors are harmless or even beneficial. They know that even the shattering crash of 1929 was not recognized at the time as the beginning of a decade of depression. Many still remember the false prophets of the booming twenties: President Herbert Hoover who told the nation in October 1929, while disaster was under way, that 'the fundamental business of the country is on a sound and prosperous basis'; Henry Ford who said a month later, 'the situation promises much better than . . . a year ago'; Stuart Chase, the popular writer on economics who predicted, 'we probably have three more years of prosperity ahead of us'; and Irving Fisher, the venerable dean of academic economists, who was certain that 'the threat to business will be temporary'.

Americans have it on the best and most unsuspect authority that depression is indeed inevitable in their economic system, that the question is not *if* but *when* it will strike again.

The President's Council of Economic Advisers warned already in December 1946: 'In our modern economy . . . little recessions often develop into big depressions.' The National Association of Manufacturers admitted that IT would recur. 'What you are interested in is the historical fact that depressions *do* occur from time to time', it told young Americans for whom it published a booklet, '*Preparing for Industrial Work*', with the acknowledged co-operation of the U.S.

Office of Education. 'You can look at the problem as something like a beautiful clock getting out of order, or a powerful man being taken sick. Delicate organisms are involved, and so it is with our economic and industrial machine.'

Most business people lived in constant awareness of the likelihood of another depression when the war was over. '. . . in all groups there is the gnawing fear that after several years of high prosperity, the United States may run into something even graver than the depression of the thirties', wrote the *New York Times* on March 10, 1946.

Men who rejected all fatalism and fought hard for new economic policies designed to prevent or soften depression remained pessimistic. 'At the rate we are moving, it is wholly possible that within the next ten years Karl Marx' judgment will have proved correct', Chester Bowles, the wartime 'Economic Stabilizer' stated in the *New York Times* Magazine Section of October 5, 1947, recalling that 'Karl Marx was convinced that capitalism was doomed to smash itself to bits in a period of recurring inflations and depressions'.

'Our entire history as a republic has been one long series of booms and busts', wrote one of the most respected U.S. Senators, James E. Murray, in the *American Magazine*; 'and in recent decades, as our industrial system has become more complex, the downswings have been more frequent, more violent and more prolonged. In fact, the last depression, starting in 1929, was eradicated only by World War II. . . . A good many of our industrial executives now accept the fact that another depression is inevitable. In public, they talk about the great, limitless era of prosperity that is now beginning. In private, many are going back to their old hedging, restrictive practices designed to make their corporations shipshape during the blow they feel is ahead. They are planning to restrict their output, restrict competition through monopolistic practices, maintain prices artificially.'

This was not the whole measure of the danger. 'Some of these industrialists have even grown to be fond of depressions', the Senator continued. 'They like the idea of a "floating pool of unemployed" to keep labour in hand, and have become quite agile at "riding the cycle" profitably and taking advantage of bad times to press ambitious new competitors to the wall. One business spokesman, the president of a Midwestern company, has made the statement, "It is hoped that depressions are never abolished (since) those who learn to ride the business cycle can find as many advantages in depressions as in booms."'

The Senate Committee on Banking and Currency, in the summer of 1948, asked the question about depression prospects of an outstanding expert, Marriner Eccles, the former chairman of the Federal Reserve Board, whose efforts at fighting economic crisis by long-term financial control policies caused the ire of Big Business and his demotion. 'We certainly are going to have a bust', Mr Eccles answered, 'but as to just when it will be I can't predict.'

Roger Babson, famous as the only analyst who correctly predicted the crash of 1929, answered the *United Press* in February 1949: 'Another depression, probably about 1953, is unavoidable. Primarily because the last one was never cured.'

A Gallup poll in the prosperity summer of 1948 showed that 75 per cent of those giving an opinion expected 'a serious depression', on an average within five years. The same belief was held by 80 per cent of the 'prominent' Americans who made definite predictions. 'The answer is always the same', *Fortune* magazine wrote in May 1949; 'a majority thinks depression is on the way'.

The Cleveland Trust Company clinched these views with a three-foot graphic chart of the boom mountains and depression valleys of America's modern economic history. It showed twenty-four depressions in fourteen decades.

Between the Revolution and the Civil War there were eleven minor depressions and two major 'panics'. From the Civil War in the 1860's to the end of the century there were six depressions. The greatest, the Panic of 1893, was followed by the relief of the Spanish-American War, the timely conquest of Puerto Rico and the Philippines. Those crises were the first to hurt a large part of the people; for many of the self-sufficient farmers of the pioneer days had meanwhile become dependent upon the speculative produce exchanges and many artisans had turned wage labourers, exposed to the drastic ups and downs of the business cycle. The Rich Man's Panic of 1903-4 struck the lower and middle classes much harder than the speculators. Then came the Panic of 1907, a symptom of the worldwide business malaise which aggravated the political rivalries preceding the first world war. And years of economic stagnation were followed by the War Depression of 1914-15.

After the great war boom came the First Post-War Depression of 1920-22, and then the Great Depression of the thirties with its first disastrous round from 1930 to 1936 and its second round of widespread misery and helplessness from 1937 until America's involvement in the second world war.

* * *

But what will IT be like next time? On this question, too, America has authoritative answers.

'If we suffer another critical economic depression . . . the resulting unemployment, poverty and despair will drive more Americans into the ranks of Communism than Stalin, Marx and the Comintern ever won through argument and persuasion', Secretary of the Interior J. A. Krug wrote in the *American Magazine* of June 1947.

'The next crash will make 1929 look like a piker', the historian James Truslow Adams, formerly of the New York Stock Exchange, told the American Academy of Arts and Letters in 1946.

The cost of that 'piker', the Great Depression of the thirties which nearly wrecked America, 'exceeded $300 billion, about the dollar cost to us of the recent war', Leon H. Keyserling, then Vice-chairman of the President's Council of Economic Advisers, wrote in the *New York Times* on June 8, 1947; 'this takes no account of the lingering effects of human deprivation and social discontent'.

The next depression will be still costlier. For each year of its duration, Dr Keyserling foresaw 'a drop of nearly $100 billion in our national income' (a fall to one-half of its boom level at the time) and 'unemployment which could easily exceed twenty million' (out of a labour force of sixty million people).

Its total cost, he told Congress on February 11, 1949, might be 'about $800 billion'.

Eight-hundred thousand million dollars of predictable depression waste—$800,000,000,000 worth of urgently needed goods that could be produced but would not, of badly needed incomes that would fail to be paid if a large part of the nation's men and machines were again to be condemned to a decade's idleness—that would be, for the United States alone, nearly as much as all the belligerents, the allies and their enemies, spent on the second world war.

This is a measure of the cost in material values, human agonies and social and political upheavals the world over, which the next American depression must provoke. It shows clearly that 'the weakest link in the armour of free men is not in China, Russia's satellites, Asia or Germany but here in the United States', as Dr Theodore O. Yntema of the University of Chicago and a close co-worker of Paul G. Hoffman in the Committee for Economic Development, stated on October 26, 1946. 'If we can't maintain reasonable opportunity for our people, this society doesn't stand much chance of survival. If 10,000,000 people have the door of opportunity slammed in their faces, as in the last depression, they will be fertile for other ideologies. . . . What happens to the American economic system . . . may determine the history of the American people and the peace of the world for many years to come.'

Considered Congressional opinion of the danger of depression was no less outspoken. 'No problem before the American people is more vital to our welfare, to the very existence of our way of life, and to the peace of the world', wrote the Joint Committee on the Economic Report of February 3, 1947 about this 'most complex and difficult of all the long-range domestic problems we have to face'. And Paul G. Hoffman said on October 16, 1947, before he became administrator of the Marshall Plan: 'A major setback not only would create terrific internal hazards . . . but would also play directly into the hands of the Kremlin. . . . At no time in the history of our Republic has it been so important that prosperity in America be maintained.'

Such warnings had two purposes. They were to popularize the boom-supporting, depression-preventing merits of Marshall Plan exports and armaments. For, by comparison with a depression at the price of eight-hundred thousand million dollars, fifteen, twenty, and later even fifty or sixty thousand million dollars of annual Cold War expenditures naturally seemed a low price to pay for continued prosperity. But these warnings were also directed at those in Big Business who hope to profit again from depression and whose restrictive, monopolistic practices aggravate the elementary forces in the economy which some day may destroy private enterprise.

The businessmen whose 'blindness or wilfulness is setting the stage for the arrival of an American Hitler', were denounced by Henry Morgenthau, Jr., former Secretary of the Treasury. 'These obstinately selfish groups', he said in a broadcast reported by the *New York Post* in May 1946, 'have been working like beavers to recapture the control they lost to the people in 1933', when the New Deal was launched to protect business against its own excesses. 'The kind of depression the selfish interests in this country are cooking up will make anything we've had in the past look like a picnic. And when the inevitable happens, the hour will have struck for these interests to take over. . . .'

Another depression is not 'desirable, as some believe', John H. Van Deventer, President of the influential trade magazine *Iron Age*, told the Committee for Economic Development in October 1946; for 'the previous depression nearly ruined us. . . . If we have ten to fifteen million unemployed again, it may drive us on the road to statism . . . from which there is no turning back.'

The President's Council of Economic Advisers, in December 1946, criticized business leaders who boasted that they 'find as many advantages in depressions as in booms', the 'smart folks' who 'take advantage of the boom and are then ready for depression time bargains', hoping 'that depressions are never abolished, for they have many desirable features'.

This 'getting ready for depression time bargains' is one of the ways in which the giants in every industry have grown bigger and bigger and closer to monopolies. It is the reason why, at the very height of the second world war with its manpower shortage and its need for maximum production efforts, some great concerns employed valuable staffs of technicians on finding out which of their remaining competitors it might be worth buying up or forcing into 'merger', once the depression came. 'Curiously, the industrialists who are planning on depression are also planning on the probability, if not the certainty, of the destruction of the system which they have most reason to protect', wrote a columnist in the *New York Herald Tribune* of September 5, 1947 under the title 'Each Man Kills The Thing He Loves'.

There is something pathetic about business leaders who are warned all the time, and occasionally warn one another, that they are undermining the economic order which gives them so much freedom and power, paving the way for a totalitarian state in which an 'American Hitler' might not let them remain all-powerful—yet who by the very logic of that order seem to have no other choice.

Why has all this to be so? Why doesn't 'free enterprise' provide its own correctives and remedies?

One answer is: 'the majority of businessmen are, in fact, afraid of competition, just as they are afraid of really free enterprise', as Edwin G. Nourse, the head of the Brookings Institution, explained in the *American Political Science Review* of December 1945. 'There is a constant fear that there won't be enough purchasing power to go around, that if we really "let ourselves go", with all our skill and ingenuity, with all the technical efficiency we have developed, there would be general overproduction, flooding of the markets and general breakdown.' This is why business must sail its fatal course to crisis, always 'setting the profit sights too high, charging what the traffic will bear when the going is easy, refusing to embark on economic ventures unless a return is assured which will yield profits on idle plant as well as utilized plant, in periods of unemployment as well as in more prosperous periods', and why those business policies must be 'self-defeating in the long run'.

It probably was this frank denunciation of the suicidal ways of private enterprise which, for some time, brought Nourse into the chairmanship of the President's new Council of Economic Advisers, founded in 1946 to watch over the execution of a law that was to meet the danger of depression.

* * *

This law was to have been the climax of Roosevelt's life work, one of the essential means of a broadened and improved New Deal for the reform of American capitalism. It was to apply the lessons of the Great Depression, tone down the vicious circle of boom and bust, harmonize the largest possible production with the need for greater consumption, use the new, war-created technology to create Plenty, and thereby save the peace for America and the world.

The 'Full Employment Bill' came before Congress as a set of admittedly inadequate yet expandable measures, aimed primarily at the purpose its name implied. But Congress dealt with it in the spirit of Big Business, whose main Republican exponent, Senator Robert A. Taft, described the measure that was to save capitalism as coming 'directly from the Soviet Constitution, the Communist platform and from the C.I.O.' (the Congress of Industrial Organization, at the time the more radical of America's two large trade union groups.) The *New York Herald Tribune*, normally not quite so blind to the needs of progress as most other newspapers, on June 14, 1946 spoke of it as 'perhaps the most serious threat to free enterprise and democracy with which the country has been confronted in the 170 years of its existence'.

Under the pressure of the business lobbies, the bill was mutilated in Congress, and when it eventually went on the statute book as the 'Employment Act of 1946', the word 'full' cut from its name, it was little more than a collection of laudable declarations of purpose, an 'enabling act' which would not enable the most progressive and determined President to do anything of importance. In fact, it emerged as a guarantee to Big Business that its own concept of 'free enterprise' was to prevail under the guise of high-sounding phrases about the desirability of perpetual good times.

Yet President Truman signed the emasculated law with these words: 'In enacting this legislation, the Congress and the President are responding to an overwhelming demand of the people. . . . The legislation gives expression to a deep-seated desire for a conscious and positive attack upon the ever-recurring problems of mass unemployment and ruinous depression. . . . It is a commitment by the Government to the people—a commitment to take any and all of the measures necessary for a healthy economy, one that provides opportunities for those able, willing and seeking to work. We shall all try to honour that commitment.'

No plain citizen could make sense of the vague and contradictory terms of the Act. To quote from the explanations given in the first report of the Council of Economic Advisers, which the Act set up as a substitute for some kind of planning board: 'The Act expresses an intention [not an *obligation*, G.S.] to call upon all competent sources for diagnosis of situations as they arise and for the recommendation [not the *enforcement*, G.S.] of such treatment as the nature of the case, carefully studied, is deemed to require. . . . The Federal Government should coordinate its programme and activities with those of State and local governments . . . and of private business agencies—industry, labor and agriculture. . . . It is to operate "in a manner calculated to foster and promote free, competitive enterprise".'

But what if some of the forty-eight states or 'private business agencies', equally jealous of their constitutional and factual prerogatives and equally opposed to Federal 'interference', should refuse to co-ordinate their policies with Washington's? What if labour refused to live up to its strange designation as a 'private business agency'? These crucial questions, ignored by the theory of the Act, were answered in the practice of its attempted use.

The new Council of Economic Advisers—until the Cold War made it another helpless member, and then a prominent cheer leader, of the Captive Audience of the opinion-making industries—undertook a good deal of 'diagnosis of situations as they arose', and some of it was courageously to the point. The Government also made some occasional, mild 'recommendations'. But most of those 'Fair Deal' proposals for legislation on prices and wages, the rights of labour, housing, public works projects, health insurance and the broadening of social security were turned down by Congress. Almost each time the business lobbies won easy victories.

In violation of the spirit of the Act, it came to be acknowledged that intervention to forestall an economic crisis 'might include exploitation of national defence and foreign situations for the purpose of forcibly preventing perfectly natural fluctuations in heavy-industry activity', as Lewis H. Brown, chairman of the Johns-Manville Corporation, was quoted by the *New York Times* of February 16, 1949; and that high Cold War expenses were a safer means of fighting depression than what Big Business called attempts at the 'cold socialization' of the American economy.

The Joint Committee on the Economic Report—the group of Congressmen which, under the Act, has to review the President's Economic Report and to facilitate legislation on measures he recommends—proved utterly unco-operative. Even the Joint Committee of the 1949-50 Congress with its Democratic majority and headed by Senator Joseph C. O'Mahoney, one of the sponsors of the original Full Employment Bill, had nothing constructive to say in its comments on Mr Truman's report of 1949 about the glaring discrepancies between the promises of the Act and the realities of rising unemployment, falling production and increasing reliance upon the remedies of armaments and Marshall Plan exports.

Instead, the Committee discussed the eternal plight of the ever unstable American economy, giving a classically clear-cut analysis of the relentless forces which, under these circumstances, must some day provoke another economic crisis.

'Even with the aids to business (*sic*) provided in the Employment Act of 1946', the Committee stated, 'the fundamental dilemma on which individual businessmen find their price-and-profit policy impaled is this: must business be prepared to weather a recurrence of the old "boom and bust", or is it safe now to gamble on the maintenance of a steady and high level of activity? Much as public policy may seek to sustain high levels of prosperity, dare the individual company bank on it?'

The Committee's answers to its own questions reflected the tragic helplessness of the existing economic system: 'If business continues to have ups and downs like those in the past, profits in 1948, though at record levels, may well be needed to provide a reserve to meet losses in years of depression. Yet such high profits may result from a wage-cost-price relationship completely inimical to the maintenance of full employment levels of consumption expenditures.'

In other words, high profits at the expense of high prices and low wages must, as they have been doing, cut the people's purchasing power for the goods they produce, must cause increasing unemployment, must deepen the inevitable depression once it comes.

The leaders of business, when their high profits are criticized, usually defend themselves with the argument that they reinvest most of those profits in their plants, to help the economy expand its productive capacity and provide more jobs. But even if this were true—if business had not merely held in reserve large parts of its enormous profits as a safeguard against the depression it must thus bring about, and if its 'expansion' had not so often taken the form of absorbing existing enterprises—the use of high profits for reinvestment would still be 'no guarantee of sustained prosperity', in the words of the Joint Committee. For, while 'such high investment depends ultimately on the volume of consumer demand', this very policy of business cannot possibly enable the people to buy all they produce. And while the useful investment of high profits further presupposes 'a continued abundance of profitable investment outlets', this policy of business prevents their creation.

As a result, 'if the process of building plants is continued, there ultimately must come, and in the past postwar periods always has come, a period of mal-investment'. Finally, then, 'there comes a time when additional plant and equipment cannot be added in an industry without bankrupting the owners of existing properties . . . or precipitating a struggle for consumer patronage, ending either in cut-throat competition or cartel agreements in restraint of trade. In short, the high profit economy of boom years inevitably, in the past, drove headlong into a depression. . . .'

Evidently, there is no way out while private enterprise remains in control. 'The circle is a vicious one. Prosperity profits are needed to weather depression losses. Yet they undermine the very type of high-volume, high-wage, low-profit-margin economy needed to sustain high-level employment. . . . The fact that business as a whole considers the present swollen amounts of profits necessary may be a measure of the magnitude of the depression which they feel lies ahead. . . .'

Of course, 'if the individual businessman could feel perfectly sure that business activity would be maintained at a high level, he, jointly with all others, might dare to risk lowering his profit margin . . . and lowering prices to consumers', the Committee added. 'But even if such a guarantee were iron-clad, he would be super-altruistic or even foolish to pursue such a policy all by himself or in advance of his competitors.'

But what about the remedies that were to be provided by the Employment Act? What about the fulfilment of that 'deep-seated desire of the people for a determined and positive attack upon the ever-recurring problems of mass unemployment and ruinous depression' which the Act promised, seemingly with the intention of breaking just this vicious circle?

'Without any demonstrated experience showing that the laudable aims of the Employment Act of 1946 can in fact be consistently achieved', the Committee admitted the failure of this mutilated anti-depression legislation three years later, 'the individual business(man), no matter how large, cannot afford thus to risk the solvency and competitive position of his company. Yet the very policies which enable his enterprise best to weather a depression—that is, the amassing of reserves, charging as prices "what the traffic will bear", resisting wage increases except where pressured through by militant unionism, lobbying for tax reduction even if it means a deficit in Government finance—these very policies . . . inevitably bring on the catastrophe feared.'

Is it true, then, that America, with all her science and power and self-assurance, is unable to control the workings of her economic system?

'As in the case of nervous breakdown in medicine, a plethora of explanations is offered, but reliable knowledge concerning causes and methods of control, if any, of general business breakdowns is distressingly meager. One can hardly feel optimistic about the chances of continuously securing answers . . . from the admixture of politics, pressures, bureaucracy and sprawling giantism that characterizes modern government.' This was the fatalistic opinion of another group of experts engaged by the Joint Committee.*

* * *

It means little in view of such fundamental admissions, that editorialists and after-dinner speakers continue making reassuring comparisons between some specific aspects of the American situation before the collapse of 1929 and that of the present, trying to assure America and a world dependent on her every move that IT cannot happen again.

Look at the Stock Exchanges, they say, how inflated and feverish and full of dangers they were in the late twenties and how quiet and well-behaved they have become.

This is true enough. In the twenties, the Stock Exchanges went wild in an epidemic of speculation that gripped bank presidents, politicians and university deans like elevator boys and backwoods farmers and drove stocks first far above and then a good deal below their real values. But now, most of the time, 'the market' is a dismal backwater outside the sphere of the new inflationary boom tide, the half-deserted playground of professionals and 'insiders'. The crash of 1929 has undermined the public's confidence in it and changed the country's speculative fashions. And a great historical era of America's economic development has quietly faded away: the great joint stock corporations no longer finance most of their capital needs out of the people's savings by way of the Stock Exchanges; they simply 'tax' the

* U.S. Congress. *Factors Affecting Volume and Stability of Private Investment*, 1949.

consumers for the required investment funds, using their near-monopolistic power over the prices consumers have to pay for the accumulation of unprecedented profits.

The Stock Exchanges, the retail counters of Wall Street's business, might therefore not again open the first act of the drama of economic crisis.

Look at the banks, the reassuring comparisons go on, how shaky and irresponsible they were and how solid they are now.

This is true, too. In the twenties, under little legal restraint, the banks were disastrously involved in speculation, committed large amounts of their depositors' money in risky, often stupid, sometimes dishonest deals. Now, thanks to the legislation of the New Deal period, they are more or less prevented from such excesses. A federal deposit insurance has long been protecting every depositor's first $5,000. And the public's wrath against the irresponsible banks, together with its recent demands for their nationalization, are well enough remembered in the boardrooms to make for sounder use of borrowed funds.

A run of panicky depositors on the bank windows of Wall Street, therefore, might not again open the second act of crisis.

Look at the people's private debts, continues the argument: how sky-high they were then, exposing everybody to foreclosure, bankruptcy and misery, and how moderate they are now.

This, also, is more or less correct. In the twenties, the private debts of Americans were nearly twice as great as the annual national income. The law protected neither farmers from being driven off their fields nor house owners from being robbed of their homes, nor instalment buyers who failed on the last few dollars of their instalment debt from losing the furniture, automobile, radio or winter coat for which they had been paying month after month. Now New Deal legislation protects debtors and even provides government insurance for many home and farm mortgages.

But private debts of all kinds, nearly twice as high in 1952 as they were in 1945, are again rising fast. It is once more 'an uncomfortable thought to walk this dazzling city', as the *Daily Mail's* correspondent reported from New York on November 30, 1949, 'and realize that a large percentage of the cars on the streets, of the coats on the people's backs, the rings on their fingers, the shoes on their feet, and maybe, the food in their stomachs has not been paid for'.

Even so, the money-lending affiliates of Wall Street at the grassroots may not again play the same major role in the next crisis.

All this, however, does not mean that the prolonged post-war boom is in less danger of eventual collapse than was that of the twenties. It only means that history has moved on, that two decades of rapid development have changed many aspects of America's economy, that the main danger zones of the past are no longer of primary importance; just as at a certain age whooping cough ceases to be a serious hazard of life. Such comparisons only show that next time the depression may have a different start and a different character. It may not even break out with a sudden explosion like the stock crash of 1929.

* * *

The 'next depression' in fact already began in the late forties—as a creeping disease which grows slowly and is still characterized by periods of relative well-being. It undermines the patient's resistance while it continues to react favourably, although for shorter and shorter intervals, to the stronger and stronger doses of inflationary medicine that relieve its symptoms but aggravate the causes of the malady—until, some day, it will break out violently in a dangerously advanced stage and drive the patient into a panic of anguish and helplessness.

There are telling parallels between the phases that preceded the depression of the thirties and the present symptoms.

Instead of the wild speculation on higher and higher stock and land values of last time, there is now the speculation on the need and curative effect of huge semi-war expenditures; and while America's economy remains without basic reform, this inflationary bubble of false prosperity is also bound to burst.

Instead of the precipitous stoppage of inflated bank credits and the disastrous foreclosure of swollen mortgages of the past, there might be a refusal of the American people to believe any longer in the insufficiency of their military defences and to appropriate ever more billions of tax money for armaments.

Instead of driving up the prices of stocks and real estate, as in the booming twenties, inflation, this time, has been concentrating its force on driving up prices and the cost of living, impairing the purchasing power of large sections of the population. 'Our troubles in the past have been traced to the simple fact that once 25 or 30 per cent of the population has been supplied, the demand dies because there are no more consumers with the wherewithal to make purchases', the *New York Times* recalled on January 9, 1949. And this is happening again.

Instead of the huge private indebtedness before the last crash, there is now that of the Government, already accompanied by much fuller exploitation of all the sources of revenue from very high taxation than ever before in time of peace. It will therefore be much more difficult in the fifties than it was under the New Deal of the thirties to prime the pumps of the economy with fresh government funds, once it is necessary to fight acute depression.

All the old and many new pump-priming devices have already been put to use in one attempt after another to prop up the increasingly shaky boom.

Even before the Korean war, the Government spent more than ten per cent of the national income on various means of increasing economic activity. By comparison, the pump-priming expenditures during the Great Depression averaged less than five per cent of the much lower national income of that time.

There have already been relatively large expenditures on public works: 'All peacetime records were broken by the $4 billion expenditure in 1948 for public works by Federal, state and local governments', the *New York Times* reported on January 6, 1949.

Unprecedented amounts have been spent for the increase of exports by 'foreign aid'; and the Joint Committee on the Economic Report, on February 21, 1949 frankly asked: 'When the Marshall Plan succeeds and the contribution we are making to world recovery is lessened by continued progress in the rehabilitation we are seeking to promote, what will take the place of the production, the labor, the investment that is now going into that phase of our national policy?'

Still greater amounts of money have been lavished on armaments, the largest of all boom supports, even before the Korean war doubled and then trebled and quadrupled them. During the fiscal years from July 1947 to June 1950 they averaged twelve times as much as before the war.

'If the success of the Marshall Plan should in turn promote the success of the United Nations, as we all hope, and our expenditures for national defense are thereby lessened', the Joint Committee asked, 'what shall we substitute for the economic effort, the goods and the services that now go into our military activities?'

'If peace settlement or its economic equivalent were achieved'—the *New York Times* of December 29, 1951 summarized 'the consensus of the country's leading economists' in the more careful language which by then characterized the discussion of the depression problem—'this country's economy would be in for a drastic readjustment leading to a serious slump. This would test counter-depression techniques, and in the opinion of most economists, find them wanting.'

VI America Needs Foreign Aid

'The reduction and eventual termination of foreign assistance will create tremendous economic problems at home.'

President Harry S. Truman
April 2, 1950.

AMERICA NEEDS EVER EXPANDING FOREIGN MARKETS TO STAVE off depression. Even before the second world war, her economic order was much more dependent upon foreign outlets for its surplus goods than is generally realized. American exports during the last years of peace averaged only $3 billion annually, a mere four to five per cent of the nation's business; but this seeming trifle was as vital to it as the infinitesimal quantities of vitamins in food are to the human body; and exports, even then, were the very staff of life for many branches of the economy.

The farmers had to sell abroad nearly every second bale of cotton, every third bale of tobacco, every ninth ton of wheat they raised. Tool and machine makers had to export 28 per cent of the machine tools and metal-working machines they made, 18 per cent of all agricultural and printing machinery, and 16 per cent of all textile and sewing machines. Automobile manufacturers had to rely on foreign buyers for every fourth or fifth truck and every fourteenth passenger car; without those exports, they would either have made no profits or would have had to raise home prices by about one-quarter, risking a further drastic fall of automobile sales.

Hollywood got one-third of its income from abroad, and many American films would never have been made had not their scripts been rated promising for export. 'In 1940 not more than four or five out of every ten pictures were able to recoup their production costs from domestic showings alone', *Business Week* wrote on July 23, 1949, when Hollywood needed still greater exports.

Three to four million workers and farmers, with their families, depended on work for foreign markets. Without these export jobs, the total number of 10 million jobless at the time would have grown not only to 13 or 14 million but possibly to 15 or 16 million. For had the export workers lost their jobs and purchasing power, they would have dragged with them many others who had their employment from the wages the export workers spent; and such a swollen army of unemployed might well have turned into one of rebels against an economic order unable to give them a living.

After the war, the need for foreign sales became still greater. The nation's total productive machinery had been expanded by almost one-half. Population growth enlarged the labour force by one-fifth. And the average worker's increasing productivity tended to outpace his purchasing power, threatening to leave greater and greater unsold surpluses of goods.

Early post-war conditions disguised the magnitude of the urge for larger exports. It took time for industry to reconvert to peace production and make up for war-created shortages. And accumulated wartime savings for a while kept domestic demand at an exceptionally high level. For America to export at all in 1946 and early 1947 appeared to many as charity toward a shattered world, rather than the timely effort it was to forestall competitors, cultivate old clients and stake out fresh markets for the coming years of glut.

Yet clamours for larger and larger exports were heard even then. America ' "may produce itself into a bust" unless greater world markets are developed, George L. Bell, deputy director, Office of International Trade, Department of Commerce, said', according to the *New York Herald Tribune* of October 14, 1946; 'domestic demand will be "pretty well supplied" by American industry within two or three years. It will be up to our overseas trade to supply the gap from then on. [For example], the machine tool industry has decided that the only way fully to utilize their wartime-increased capacity is to plan a decided expansion in overseas business. One group recently confided that unless they are successful in developing a big overseas trade in the next nine months they will have to drop 50 per cent of their employees.'

This was nine months before Secretary of State George C. Marshall gave the historic address at Harvard University that led to large-scale aid for American exports through aid to Europe.

Even before this came about, America already exported these shares of all she made: 6.1 per cent of chemical products, 6.7 per cent of passenger automobiles, 6.8 per cent of electrical machinery and apparatus, 9 per cent of rolled steel products, 11.5 per cent of anthracite coal, 15.9 per cent of agricultural machinery and implements, 19.5 per cent of freight cars, and 19.7 per cent of trucks (according to the President's Council of Economic Advisers). The farmers exported 23 per cent of their wheat and 30 per cent of their raw cotton and tobacco.

Of the total volume of all factory and farm products with domestic and foreign buyers 11.7 per cent were sold abroad.

Altogether, during the year before the Marshall Plan, America's $\$14\frac{1}{2}$ billion exports were 7.2 per cent of the nation's business, a two-thirds larger share than in the thirties. Yet even this was far from sufficient. 'The Department of Commerce hopes that foreign trade will account for 20 per cent of our national business', continued the report about the warning of Mr Bell. 'Such a volume, he predicted, will mark the difference between profit and loss for many industries in the future.'

It would be wrong to interpret the Marshall Plan only as a measure to provide export relief for America; but the increasing need for foreign markets as a means of forestalling depression at home ranked very high among its motives. The popular press scarcely mentioned this aspect because it showed up so clearly the shortcomings of America's unreformed economic order; but business people were kept aware of it.

'Why U.S. Offers Aid To Europe—Loans And Gifts As Way To Check Recession', *United States News* explained on July 4, 1947. 'If world buying power is exhausted, world markets for U.S. goods disappear. The real idea behind the program, thus, is that the United States, to prevent a depression at home, must put up the dollars that it will take to prevent a collapse abroad.'

The very urgency of pushing the Marshall Plan through a tax-shy Congress was dictated by this domestic need. 'With unprecedented demand for goods at home and record exports, the rate of output in industry still is declining a bit', the magazine warned a week later. 'There are cutbacks in textiles, machinery, transportation equipment, other industries. The new foreign-aid plan will be intended in part to keep exports moving so that goods will not back up at home, clogging markets.' Chester Bowles, the former 'Economic Stabilizer', told a Congressional subcommittee on September 26, 1947: 'The United States is heading toward some sort of recession which can be eased by quick approval of the Marshall Plan. . . .'

'The real argument for the support of the Marshall Plan is the bolstering of the American system for future years', *United States News* wrote again on February 20, 1948. 'It means an underwriting of American prosperity.'

Among the many powerful business groups insisting on aid for themselves through aid to Europe were the oil interests, of whose benefits from the Marshall Plan *Fortune* magazine said later that, 'indeed, if the E.C.A. had not started to supply the dollars that summer, their foreign business would have fallen flat [for] since then more than one-tenth of all E.C.A. expenditures, some $900 million' were spent on oil; and the 'diplomats of the cotton kingdom', who, according to the *Wall Street Journal* of March 24, 1948, were 'throwing their influence behind the Marshall Plan . . . hoping to revive their once magnificent empire of foreign markets'.

It would also be unfair to deny that Americans sincerely wanted to help the world with the $30-odd billion of tax money they spent up to 1952 on the Marshall Plan and other post-war grants and loans—as much, according to official figures on national consumption expenses, as the combined gas, electricity and telephone bills of all American families during that period. Relatively few of them even realized that this foreign aid was also a device to 'prime the pumps' of the nation's export trade, was badly needed foreign aid in reverse, for America.

Finally, there is no denying the fact that most of those American surpluses of food and raw materials, equipment and other manufactures which were thus sent abroad were useful to the nations that received them. In the case of Western Europe, that American aid added about 2½ per cent to average national incomes during those post-war years.

Europe, of course, had reason to regret that it had to accept those goods as 'gifts', which stressed her dependence on the goodwill of the United States, and as loans, which would remain a burden for years to come. For a fair and businesslike squaring of the allies' accounts of gains and losses from their common enterprise of war would clearly have established that America owed her allies a large balance that should have been paid off as the plain debt it is—a much larger balance in fact than the gifts and loans some of them were granted, with many strings attached.

More will have to be said in a later chapter about the impact on the world of American aid; but it is important in this context to make it quite clear that gifts and loans, largely motivated by American depression fears, were not what the post-war world needed most from the United States.

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What the world needed and still needs most from America is that she put her own house in order, that her giant economy be made stable, predictable, expanding, and able to trade and co-operate fully and consistently with other nations.

Stable—that means America must free herself from the danger and fear of depression and therefore from the temptation to seek false, world-disturbing remedies in a reckless fight for foreign outlets and in work-creating armaments.

Predictable and expanding—that means America must know and plan where she is going, what she will have to buy and sell and invest abroad in years ahead, always aiming at the full and steady use of her great capacity to produce and consume and thus to help stimulate production, trade and progress in other countries.

Co-operative—that means America must let the nations of the world compete fairly for each other's trade; must let them sell a maximum volume of their export products in the American market which reaps nearly one-half of mankind's total income; so that, with their own dollar earnings, they can buy from America, the owner of more than half of the world's modern industry, the greatest possible quantities of all they need to speed up the development of their economies.

Since America has failed to reform her economic order she has also been unable to act according to those principles. And when country after country began to recover from the war and the revival of international competition put her professed trade ideals to a test, America was unprepared to meet the challenge of constructive world leadership.

Shortly before the Korean outbreak, the clash between the United States and the nations she tried to aid was drawing near.

'An international trade war is in the making', William E. Knox, president of the Westinghouse International Company, told a Chamber of Commerce meeting in Des Moines, Iowa, on April 7, 1950. 'New signs of crowding and jostling are appearing in world trade', states *U.S. News & World Report* on June 2, 1950. 'U.S. Losing Its Hold On Brazil's Trade—Our Share Of The Market There Now 42%, Compared With 61% Six Years Ago', the *New York Times* of April 22, 1950 wrote in alarm; although the American share in the Brazilian market still was 'far above the 1938 level of 24 per cent'.

A revival of foreign competition on the American home markets, ever so slight as yet, caused even greater fear. 'Four important kinds of foreign-made industrial tools and equipment have started to invade American markets in large volume', the same paper reported the day after. Again, on June 25, 1950: 'Cheap Japanese tools are now being offered in large volume. . . . The low-priced competition from Japan is paralleled by other low-priced hardware offerings from Great Britain and Germany.' And when a few varieties of steel were offered for sale in the United States: 'a price war has broken out between New York steel warehouses and importers selling European steel, with importers offering price cuts of 10 to 18 per cent. . . .'

All the while, America has actually been fighting the very nations she wanted to strengthen, fighting them with all the means of old-fashioned protectionism she condemned elsewhere. No other 'free' nation in the modern world protects its industries with customs tariffs as high and with other import handicaps as manifold and drastic as the United States—the one which, with its unexcelled mass production facilities and its enormous domestic market, should have the least to fear from foreign competition.

'High tariffs and other hindrances to imports into the United States can frustrate the most determined European efforts to increase dollar earnings', the Economic Cooperation Administration told Congress on May 8, 1950. 'The combination of barriers' around the American market 'may well make it impossible for Europeans to attain the volume of exports necessary to maintain essential imports.' The quagmires, pitfalls and fences which protect the high protective customs walls of the United States are 'antiquated, cumbersome and in many respects inequitable', vesting . . . 'discretionary authority in customs appraisers'. Because of 'the unpredictable classifications of goods, importers cannot know in advance whether an article will be dutiable at 20 or 50 per cent', or more. And the Buy American Act of 1933 further restricts government purchases of foreign materials.

Moreover, Big Business possesses its own additional means of suppressing foreign competition. The steel industry's domestic customers, for example, were 'threatened by United States steel suppliers with "difficulties" in getting the steel they want if they buy foreign steel for any purpose', the *New York Times* reported on March 11, 1950; through pressures which are 'informal and unwritten but effective . . . [so that] Europeans sometimes despair of ever being able to earn their dollars honestly by selling a good product at a good price in the United States market'.

If a minor customs duty is to be reduced, 'the tariff brings together a combination of many powerful lobbies in the capital', the same paper observed on March 5, 1950; but the tariffs protecting major economic interests are sacrosanct and never even come up for discussion.

Agitation for even higher tariff walls rises whenever the drift to depression or a mere lull weighs on industry and agriculture. In this agitation the leaders of labour have recently joined those of business. 'With unemployment increasing and domestic business activity continuing to show a steady decline, demands for the levying of higher import duties on many items to hold at least the local markets may be expected to grow', wrote the *New York Times* on June 12, 1949. 'Previously, labour has not been particularly interested in the United States levying heavy import duties to protect domestic industry. This field generally has been left to investors. In recent years, however, labour has become highly organized and its leaders are now quick to point out the difference in wage levels here and abroad when an industry is threatened with curtailment as a result of imports. . . .'

The less the Marshall Plan succeeded in solving America's surplus problem, and the more the fear of depression rose, the greater became the gulf between avowal and performance in America's economic attitude toward her friends abroad. 'The schizophrenic policy of this country seeks to make Western Europe sufficiently robust to leave her invulnerable to the Communist threat', the economist Seymour E. Harris wrote (*New York Times* of July 5, 1949), 'but perhaps also sufficiently anaemic so that she will not compete with exporters from this country. These objectives are irreconcilable.' Bewildered inquiries about America's real intentions came from Western Europe; for there was 'growing confusion abroad about the real trade aims of the U.S.', which 'just don't seem to square with current actions', as *U.S. News & World Report* wrote on February 17, 1950.

Freer trade, according to the official American thesis, was to be the salvation of the free world; but the very wording of the celebrated Havana Charter for an International Trade Organization under the United Nations, sponsored by the United States, proved her own inability to live up to this promise. 'The United States has written into the charter several restrictions designed to protect particular American interests', *Business Week* stated on February 25, 1950. Yet, even in its badly distorted form, the charter never came into force because it still did not go far enough for the vested interests to make them sanction its ratification by Congress.

These are some typical examples of the way the logic of America's unchanged economic order has forced her to interpret 'freer trade' in practice.

'At least three Marshall Plan countries—Sweden, Norway and Denmark—which have been urged by the United States to boost their dollar-earning exports, have been denied the means of doing so by selling butter to the United States', *Associated Press* reported on December 1, 1949. For a provision on the statute books of Congress still makes it possible to bar foreign farm products 'when it is essential to the orderly liquidation of temporary surpluses of stocks owned by the government'. Since the Scandinavian butter was 'too cheap' the ban was invoked, although 'the action conflicts with—and, in effect, suspends—trade pacts under which the United States agreed to accept sixty million pounds of butter yearly. . . .'

Western Europe as a whole, far from able to grow all the food she needs and chronically worried about the high dollar cost of imports, was beginning to produce too much food for the comfort of America's export interests. 'As the Marshall Plan tapers off, the problem of getting U.S. farm surpluses to food deficit countries will become more and more acute', stated *Business Week* on October 1, 1949, criticizing some Western European countries on the grounds that they 'expand their domestic and colonial production of food [particularly their] output of cereals and sugar'—because this 'can't help but mean more expensive food, higher living costs, and ultimately a weaker competitive position all-around'.

Due to a bumper crop, France had 3 million tons of wheat available for export. But a French delegate complained at the U.N. Economic Committee for Europe in June 1950 that 'Germany, right next door, cannot buy more than 80,000 tons of French wheat until she has imported from the United States her full quota' of dollar wheat.

Canadian farmers were 'threatened by United States wholesale dumping policies . . . whereby American agricultural surpluses will be offered at prices below cost in the world markets', Minister of Agriculture James Gardiner was quoted by *United Press* on January 20, 1950; but 'he made it clear that a protest would not accomplish anything effective for Canadian farmers anyway. . . .'

America is harsh on her hard-pressed friends and allies when anything they do in their economic plight might be construed as 'discrimination', when they seem to use 'cartel' and 'dual pricing' practices or 'subsidize' their foreign business. Yet America's own post-war record on such matters is much worse. As a rule, the world hears little about actual cases since the aid-receiving governments cannot afford to antagonize Washington; but from time to time typical examples have become known.

On discrimination, there was among many other cases the refusal of the city of Seattle to award either of two British bidders a contract for the supply of electrical equipment. Their respective offers, at $514,860 and $571,632, lost out against the $751,000 bid of the American General Electric Co. (one of the leading advocates of saving the world by converting it to America's system of 'free enterprise'). 'This is precisely what the vast majority of responsible Europeans believed would happen in all industrial fields if and when Europe demonstrated an ability to earn dollars by selling in the United States market', the *New York Times* wrote on January 27, 1950. 'This distrust of American willingness to follow through on the Marshall Plan . . . is one of the few beliefs about America common to Europeans of all shades of political opinion.'

On cartels, the paper's economic editor wrote on December 26, 1949: 'Well, if Europe has any that are more airtight than the one the United States Government runs in sugar, then this writer, for one, has never heard about it.' He referred to one of the periodic denunciations of European cartel practices by Paul G. Hoffman, the Marshall Plan administrator. Moreover, it is on record through the studies of the Twentieth Century Fund that American cartels regulate 42.7 per cent of the sales of all manufactured goods, 47.4 per cent of agricultural products, and 86.9 per cent of minerals. Before the war, American firms and their foreign cartel allies restricted the freedom of about 20 per cent of America's foreign trade, according to the Temporary National Economic Committee; and there is every indication that these practices continue. Congressional monopoly investigators were told on April 24, 1950 by James S. Martin, former chief of the decartelization branch of the American Military Government in Germany, that 'cartel agreements were being quietly resumed by 1947 . . . to suppress development of the steel industry in areas which it is United States policy to develop under the Marshall Plan'.

'As for dual pricing, we have had it, of course, for years, in the form of subsidized exports of our so-called "basic commodities",' the *New York Times* stated on December 26, 1949; 'and last week we were reminded that the phenomenon is not entirely limited to the domain of agriculture. While much was being made in Washington of the fact that the steel industry was raising prices on its domestic products, few seemed to pay any heed to the news that it was simultaneously reducing its export prices.'

The classical example on government subsidies is that 'the American taxpayer finances the total cost of merchant-marine construction and half the operating cost'. (*New York Times*, September 25, 1949.) For 'foreign merchantmen would chase U.S. merchant ships off the high seas if it weren't for subsidies from Congress', *Business Week* wrote on February 4, 1950.* The Economic Cooperation Administration actually 'penalized eight European countries for failing to ship at least half of

* The new passenger liner *United States*, which took the Blue Riband of the Atlantic from the *Queen Mary* in July 1952, was built with the aid of $43 million state subsidies, i.e. 59 per cent of the total construction cost of $73 million.

certain Marshall Plan imports in American vessels', the *New York Herald Tribune* reported on December 26, 1949. The leaders of the C.I.O. Maritime Union even urged Congress in March 1950 to require by law that not only the customary half but all government-financed aid materials for foreign countries be transported in U.S. flag vessels.

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Post-war America also needs much larger foreign outlets for its surplus capital than ever in the past.

It might seem strange that, at least before the Korean war, there should have been a surplus of investment funds, while official compilations showed that some $120 billion worth of badly needed public works could not be carried out for 'lack of money'; while, 'to put a decent roof over the head of every American, a total of some $134 billion' was required for investment in housing (*Business Week*, September 10, 1949); while American industry, in the estimate of Professor Sumner H. Slichter of Harvard University, lacked most of the $70 billion worth of new equipment to modernize its factories (*Fortune*, February 1949); and while many businesses, big and small, complained of a dearth of 'venture capital'. But it was no stranger than that there should have been large surpluses of food and other goods at a time when Americans needed so much more of everything than they were enabled to buy; no stranger than that America already suffered large, painful unemployment, even though so much work remained undone.

'Every man here with any connection with American business knows that one of the major financial problems confronting American businessmen today is what to do with surplus', stated Norman M. Littell, a former U.S. Assistant Attorney General, speaking to a Congressional committee in February 1948 about the 'unprecedented corporate surpluses' that were not being reinvested in industry for fear of enlarging the nation's productive capacity too much.

'Investors Seeking Outlets In Europe', the *New York Times* on May 22, 1949 entitled a report about the 'contracting volume of business activity in this country' which caused investors to seek employment abroad for 'their surplus funds'. 'Where To Invest $59 Billions—Insurance Firms Seek New Outlets For Funds', *U.S. News & World Report* wrote on April 7, 1950, describing the worries of the large insurance companies about the idle 'billions that keep rolling in year after year'. Insurance companies, naturally, are not free to expand into risky foreign fields, but their chronic post-war plight of too much money yielding too little interest is an indication of the magnitude of the nation's underemployed funds.

The world certainly could use a great deal of American investment capital. For the 'backward' nations are eager to push ahead with new economic development. To conquer want and fear, stagnation and backwardness, all of them have been planning or at least wishing to tap their dormant wealth and modernize their methods of production with new techniques and new machinery. American capital, followed by American equipment, could help them greatly in the process. And even in the most advanced countries there is still great scope for mutually beneficial American investment, and willingness to facilitate it on acceptable terms. But it is implicit in the character of the unchanged economic order of America that its capital surplus cannot freely be used for the most necessary development work in the outside world.

This surplus now mainly accumulates in Big Business itself, rather than in the hands of large numbers of individuals. Popular foreign investment by the traditional means of publicly subscribed loans has virtually ceased; just as publicly subscribed stock and bond issues for domestic purposes have yielded to corporate 'self-financing' out of excessive profits. 'Direct' foreign investment by large business corporations has taken most of the place of the former public loans.

Many of the giant manufacturing concerns are continually enlarging their international networks of assembly plants and branch factories, subsidiaries and partnerships, shifting part of their production from the United States into their erstwhile export markets, where they can reap larger profits through cheaper local labour and the avoidance of foreign customs duties. Yet the corporations cannot be expected to sink capital into enterprises outside their business orbit and direct control, and still less to help competitors.

Investment of this kind has therefore remained relatively small, in terms both of America's need for capital outlets and of the world's hunger for investment funds—quite apart from the fact that much of it has been in factories producing cosmetics, 'soft drinks', fountain pens, patent foods, and other non-essential American 'brand' products, which have only added to the difficulties of existing industries in many countries.

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The recent growth of America's capital surplus has coincided with an increasing desire of business and government for control over more foreign raw material resources, a purpose which the investment of capital can well be made to serve.

Large publicity campaigns were launched immediately after the war to tell Americans that their country, the wealthiest on earth, was really a Have-Not nation, sadly dependent upon the outside world. Their motorcars contain 300 foreign materials, brought in from 56 countries. Of the 74 ingredients blended into their Coca Cola, Pepsi Cola and other 'soft drinks' no fewer than 61 come from abroad. Their soaps and toothpastes, powders, lotions, lipsticks need 150 basic foreign elements; and so on. What if those supplies failed to come in? What if the flow of foreign metals ceased?—of lead for the plumbing fixtures on their bathtubs and washing machines; of tin to coat steel sheet for the billions of cans in which they buy much of their fruit and vegetables, coffee and beer; and especially of iron ore for all the steel they use, now that domestic ore supplies are running dangerously short. For the miraculous Mesabi range of solid, high-grade ore from which the steel industry so cheaply covers eighty-five per cent of its needs may be exhausted in less than twenty years. What then?

'The drain on our natural resources has been staggering', the U.S. Secretary of the Interior stated on January 25, 1946. 'Only nine of the major minerals remain in our known domestic reserves in great enough quantity of usable grade to last a hundred years or more. Our known usable reserves of twenty-two essential minerals have dwindled to a thirty-five year supply or less. . . . Even if we had a hundred years' supply of all the metals we need, it would not mean that we would be safe for a century.'

Americans were warned by a Congressional Committee: of the petroleum that drove their cars and buses and heated their furnaces, only 18 years' supply was left; their lead resources would be depleted in 12 years, their bauxite for making aluminium in 9, their platinum in 4, their mercury and asbestos in 3, their manganese in 2 years. And what about uranium for atom bombs?

Since the domestic oil wells threatened to run dry and the Mesabi iron mountain would soon be levelled flat and only little uranium was being found in the country and the nation's security was involved in every case, America could no longer rely on mere purchase, but must own or at least effectively control convenient foreign sources of supply. In fact, America would have to make her very diplomacy a 'mineral diplomacy', as a professor at the U.S. Military Academy at West Point said in February 1948.

This is how the fear of raw material poverty merged with the fear of farm and factory surpluses and with the fear of a world in the throes of change and revolution, and coloured the post-war international policies of the United States.

A good part of the relatively small 'direct foreign investment' of Big Business went to stake out claims for America's mineral and oil diplomacy. But this, too, remained little in comparison with the American capital surplus and the world's need for investment funds.

What hopes there may have been of channeling American surplus capital investments into the development of non-strategic raw material resources in economically backward nations, and particularly of their agriculture, were disappointed.

In general, the 'investment climate' was deemed unfavourable in most foreign countries because of the prevalent trend of social and economic change away from private enterprise. And America became more and more aware of the danger of creating direct or indirect competition for her own agriculture and industries.

Not only has American capital failed to help the world exploit on a large scale its potential wealth of soil and subsoil: even as a buyer of foreign raw materials the United States has proved unable to stimulate such development. For, during the semi-stagnation years until the Korean war, American consumption was far below its wartime peak, and it remained as ever erratic and unpredictable. Worse still, the urgent need for the export of America's own surplus raw materials and the growth of her synthetic industries actually did a great deal of harm to 'backward' countries which American foreign policy intended to support.

'Brazil, Egypt, India and other foreign producers cannot compete in Europe, for example, with U.S. cotton supplied free or almost free to the users by the Economic Cooperation Administration', *U.S. News & World Report* wrote on May 27, 1949. 'Growing U.S. self-sufficiency is depriving many a country of its best chance to earn dollars' through the development of natural resources and trade, the paper reported on September 16, 1949.

Domestic nylon and rayon closed the American market more and more firmly to foreign raw silk. Synthetic rubber increasingly took the place of natural rubber. The jute sales of India and Pakistan in the United States at times fell to three-fifths the level of the depression year of 1937, partly because of the use of American cotton and paper substitutes. Foreign hide producers lost part of their sole leather, belting and other business to American synthetics. Foreign pig bristles and hemp yielded to nylon for use in brushes, rope, rugs and fishing nets; copra and palm oil to new chemical detergents; and foreign natural insecticides to domestic, artificial ones.

Whatever normally imported product America can possibly grow, make or substitute, she wants to produce at home—always impelled by the twin motives of seeking greater profit and of reducing her reliance on the outside world.

It is symptomatic that, when a common African plant was found to 'hold the answer to the prayers of millions for cortisone', the new remedy for arthritis, Washington sent an expedition to Africa for 'seeds, roots, cuttings and plants [to be] transplanted in tropical areas under the jurisdiction of the United States', as the *New York Times* reported on August 16, 1949, 'so that this country would never be cut off from [what may] become one of the most important plants in the world'.

Moreover, the utter dependence of many nations on the export of their primary products has not only made them more vulnerable than ever to the slightest business setback in America, their main market, but often exposes them to something close to American dictation on prices. 'The United States spoke out sharply to the rubber-producing countries against "speculative" rises in the price of natural rubber', the *New York Times* wrote on June 10, 1950, implying that America 'would be willing to step up its production of synthetic rubber if the price of the natural product went too high'. As a result, rubber prices came tumbling down, widening the British dollar gap.

A typical case of American interference with the price policies of weak supplier nations was that of coffee in the summer of 1950. For many years, all through the thirties and early forties, this principal export commodity of fourteen Latin American republics had to be sold at disastrously low prices, while the cartelized industries of the United States kept high the prices of the goods those coffee growers had to buy from them. Colombia, for example, since 1929, lost $1 billion on the difference between the falling prices she received and the mounting prices she had to pay. Yet when coffee quotations eventually rose after the war, due to a natural shortage, and at last came back to parity with the price levels of other commodities, a U.S. Senate Subcommittee took these steps: it encouraged a housewives' boycott of Latin American coffee; it advised the Government 'carefully to scrutinize' any loans to countries dependent on coffee exports; and it asked that an official of the anti-trust division of the U.S. Department of Justice attend all their meetings in the Coffee Commission of the Inter-American Economic and Social Council. Finally, Washington used the Marshall Plan organization, in the name of developing backward areas, to launch competitive coffee plantations in African colonies.

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Altogether, the United States has 'demonstrated inability or unwillingness to cope with the responsibility arising from its premier position in the world economy', an official Indian delegate, Dr B. Adarkar, charged before the United Nations Economic and Social Council, according to the *New York Times* of February 24, 1950. He might have added that America has thereby also demonstrated her inability to benefit herself by benefiting the world through development- and trade-inducing policies. For America's economy has derived less relief from her foreign trade policies than she would have done had those policies been more sensible.

Although the Marshall Plan helped postpone the depression, it failed to keep American exports on the 1947 record level of $14.5 billion. During the period before the Korean war they sank from year to year: to $12.5 billion in 1948, $11.9 billion in 1949, and $10.2 billion in 1950. This was still over three times the dollar average, and almost twice the physical volume, of the last pre-war years. It meant a rise of the United States' share in the total export trade of all the world from 12½ per cent in pre-war days to 21 per cent in the late forties. But it was not enough for the American economy.

The combination of the Marshall Plan, the struggle against her slowly recovering competitors and her capital exports did not suffice to prevent America's industrial production during the years before the Korean war from lagging far behind capacity. It did not suffice to prevent some eight or ten million Americans from being totally or partly unemployed.

On the contrary, nearly 600,000 export workers, the U.S. Department of Labor reported in the spring of 1950, actually lost their jobs due to the decrease in foreign business. Only 1,700,000 men and women in the nation's non-agricultural industries—the Department stated just before the outbreak of the Korean war—were still getting their living directly from exports in 1950, against 2,300,000 in 1947.

'The Marshall Plan isn't siphoning off as much as expected', *U.S. News & World Report* stated already on May 27, 1949. 'Finding markets for what you produce is getting to be the big problem now. The U.S. is beginning to run up surpluses of almost anything you can mention. Bumper crops will make things worse. . . .'

'Again, we are up against the problem that has confronted us for half a century, excepting the two world war periods', the *Dallas Morning News* commented in May 1949 on the fact that 'domestic scarcities are changing to surpluses'. For, while 'the United States has never exported a great percentage of its total industrial production . . . export has always been the difference between good and bad domestic markets'; and its decline would mean 'quick and dismal depression'.

Big Business worried about insufficient markets for oil and steel, automobiles and chemicals, electrical goods and almost everything else it produced. 'Vigorous attempts to increase export sales are being made by many American steel companies', read a typical report in the *New York Times* on August 25, 1949; 'outlets for this country's excess steel supply are being sought principally in Western Europe and the Middle East'. Again on January 1, 1950: 'The American steel industry is becoming increasingly worried over recent and prospective losses of its rather substantial and profitable export business . . . estimated at 10 per cent of the industry's shipments of finished steel. . . . The United States Steel Corporation reduced its export prices on many key products on December 16, the same day that domestic prices were being raised an average of $4 a ton.'

The textile industry worried. 'The drop in export business,' the president of the Cotton Textile Institute said on April 3, 1949, is 'responsible in great measure for the decline in cotton goods prices and curtailed operations in cotton mills.'

Hollywood worried. 'Haunted by the spectre of a shrinking domestic market, movie men are looking overseas for peace of mind', *Business Week* wrote on April 29, 1950. 'The motion picture industry just finished counting up its gross from overseas operations in 1949; it piled $210-million high, nearly a third of the industry's total earnings. . . . In nine pictures out of ten, domestic returns alone (including Canada) don't bail a producer out of his production costs.'

The farmers worried. 'A warning that the United States, the greatest of all food exporters, was becoming "increasingly anxious about securing markets", was heard at the United Nations Food and Agriculture Organization', wrote the *New York Herald Tribune* on June 14, 1949. 'The Department of Agriculture today tossed millions of dollars worth of Government-owned surplus farm products on the export markets at prices below costs', Associated Press reported from Washington on January 18, 1950. 'There is trouble ahead for the American wheat farmers', United Press warned from Washington on April 7, 1950. 'Only about 18 per cent of the wheat now going abroad is being paid for by the importing country with its own dollars. The other 82 per cent is being paid for by the American taxpayer through foreign aid programs'.

Labour worried. 'We must be prepared to move toward a shorter work week when the Marshall Plan and the rearmament program are no longer sufficient to carry us along', Daniel W. Tracy, vice-president of the American Federation of Labor, stated on January 2, 1949.

The Government worried. 'The reduction and eventual termination of foreign assistance will create tremendous economic problems at home', President Truman said on April 2, 1950. 'It may well be that the United States exports will be sharply reduced, with serious repercussions on our domestic economy. . . .'

And the outside world was concerned about the political trends those economic worries set off in America. 'Washington would spend heavily on armaments to counteract deflation. . . . European business circles incline to the opinion that the United States would prevent it at almost any cost', the Paris correspondent of the *New York Times* reported on February 20, 1949. 'Some even mean the United States would prefer a war to another major slump. . . .'

The more the export trade failed to bring relief, the more armaments became the main weapon in America's domestic fight against depression. 'Armament business will continue to be very good', *U.S. News & World Report* consoled its readers on February 17, 1950 in a discussion of the general business prospects for 1951, which before Korea were considered 'much more obscure' even than those for 1950.

'Armament always can be pushed if private activity slows. War scares are easy to create, are nearly sure-fire producers of money for more and more arms. There are signs now that top officials are to start conditioning the public for greatly expanded armament programmes in the not-too-distant future.'

VII The Urge to Arm

'The biggest economic danger faced by America is a sudden turn to peace by Russia.'

U.S. News & World Report
January 14, 1949.

'The Korean cease-fire proposals, coming at a time when business in many lines was already experiencing indigestion . . . have intensified the feelings of uncertainty that have been spreading through the business community.'

Monthly Letter,
The National City Bank of New York
August, 1951.

THE OUTBREAK OF THE KOREAN WAR, FOR SOME TIME AT LEAST, improved America's grim economic prospects.

'It's really a made-to-order situation to keep business at a high level', *U.S. News & World Report* wrote a month after the conflict began. 'The Korean outbreak lays the ghost of depression that has been haunting business in the U.S. since the end of World War II. Outlook is for an extended boom.'

'One thing the Korean crisis assures', *Business Week* stated at the same time, 'we aren't going to have to worry about any business decline of serious proportions. . . . Supplies that looked like surpluses yesterday are needed reserves today.'

'Many of us are aware, with a profound feeling of guilt, that the Korean war and the satisfactory state of business bear more than a casual relationship to each other', read a report from America in the *New York Herald Tribune* (international edition) of September 6, 1950. 'The G.I.'s at Waegwan and Pohang are dying not only for our country but also, in a sense, for our prosperity. . . . We can now breathe easily, for the depression that has been hanging over our heads since the end of the last world war has been dispelled by the Korean war.'

It is only natural under such circumstances that peace prospects must have an unsettling effect on an otherwise peace-loving business community. 'Grains Nervous On Peace Rumors', stated the *New York Times* on January 17, 1951. 'Wall Street has been buzzing with "peace scares" for days', *Business Week* wrote on March 10, 1951. Wondering whether 'we have reached a turning point in the long drawn-out East-West feud', on the occasion of the call for a conference in Paris of the Big Four, the paper wrote again on April 14: 'In the U.S. the speculation has produced the "peace scare";' for even with the fresh armament boom there were, as it noted a week earlier, 'enough adverse factors—big inventories . . . heavy personal debts . . . to send us into a tailspin (not just a 1949 dip)'. 'Sudden peace could work havoc with business', wrote the *New York Times* of May 19, 1951.

'Peace scares' have occurred frequently since the failure to solve the eternal depression problem—either through reform of the economic order or through increased exports—steadily enhanced the reliance of business on ever increasing armament orders.

Most Americans do not quite realize the tragic cleavage between the inescapable logic of 'free enterprise' that makes peace an economic problem and the universal need and wish and hope for peace, which they fully share. For, what little is revealed in print about the fear of the economic consequences of peace appears in the trade magazines and the commercial pages of the daily press which ordinary people do not read. There, 'peace scares' have been frankly acknowledged ever since President Truman greeted the end of the second world war as a 'great emergency'.

'Peace Scare Sends Stocks Down', headlines would read, or 'Peace Rumors Disturb Markets'. A slump would threaten when the international atmosphere cleared a little, and the telephone lines to Washington would buzz with anxious inquiries. But peace scares have never lasted long; and the business press, in the semi-secretness of its technical language, would chronicle their passing in the same matter-of-fact terms in which it reports the end of the threat of good harvest weather to wheat or cotton prices. 'The "peace scare" (which would cut the armament cushion to any business easing)', read a typical *New York Times* report in the column 'The Merchant's Point of View' on November 14, 1948, 'was scotched pretty well toward the close of the week when word came from Key West [the naval base where the President was vacationing] that there was to be no meeting between Messrs Truman and Stalin. . . .'

Or someone would analyze the long-term trends of the American economy and the effect peace would have on it, as the editor of *U.S. News & World Report* did on January 14, 1949: 'It is obvious that armament expenditures have given America a false prosperity. What a devastating blow the Kremlin could inflict if it decided to end the "cold war" . . . it would be difficult to sustain the proposition in Congress that $15,000,000,000 or more must be spent annually for armament. Hence the paradox that the biggest economic danger faced by America is the danger of a sudden turn to peace by Russia. . . . The truth is that the United States has never really adjusted itself following the economic convulsions of 1929. . . . The depression of 1929 to 1939 was not solved. . . . Only when the war broke out in Europe in 1939 amd America became the "arsenal of democracy" with billions of Lend Lease and then actual participation in the biggest industrial operation in all history did unemployment disappear.'

Just as the war alone had solved the economic crisis of the thirties, armaments have continued as one of the main props of America's post-war boom. So it would have to remain; for, as the same paper wrote again on April 22, 1949, 'armament is the basic pump priming mechanism for assuring prosperity in the future'.

An important official voice—contradicting the usual theory that the Soviet Union wanted depression in the United States, rather than fearing it as the very motivation of what Moscow calls 'the capitalistic tendency toward militarism, imperialism and war'—confirmed the nation's fatal dependence upon armaments. 'If the practitioners of communism had not thrust us back into the danger of war, we would soon have been thrust forward into the difficulties of peace', Dr Edwin G. Nourse, chairman of the President's Council of Economic Advisers, said in a speech on December 10, 1948.

* * *

There is still another reason why it is only natural for business to be suspicious of real peace, why 'you can no longer leave the possibility of better relations with Russia completely out of your calculations—even though the current maneuvering seems to get nowhere [and] Stalin's "peace feelers" have been brushed aside', as *Business Week* warned on February 12, 1949.

World-wide peace would threaten business not only with the loss of badly needed armament orders but also with fresh popular demands for basic reform, with increased pressures for more government spending on housing, education, health and social security, for legislation aiming at government controls of Big Business, at full production, full employment and better distribution of incomes and tax burdens.

While the Cold War lasts, *Business Week* went on to explain, 'the prospect of ever-rising military spending acts (1) as a sort of guarantee against any drastic deflation of the economy; (2) as a ceiling on the ambitious social-welfare projects' handed down by Roosevelt. For, if peace were to become more real and armaments no longer primed the pumps of the sagging boom, the Government would have to try to prime them with large state expenditures to cover the people's many unfilled needs.

'There's a tremendous social and economic difference between welfare pump priming and military pump priming', the paper continued. 'It makes the government's role in the economy—its importance to business—greater than ever. Military spending doesn't really alter the structure of the economy. It goes through the regular channels. As far as a businessman is concerned, a munitions order from the government is much like an order from a private customer. But the kind of welfare and public works spending that Truman plans does alter the economy. It makes new channels of its own. It creates new institutions. It redistributes income. It shifts demand from one industry to another. It changes the whole economic pattern. That's its object.'

Priming the pumps with armaments, Uncle Sam is merely a rich, reliable customer of business who deals with his suppliers on a footing of equality, knowing that he has to pay profitable prices for the goods he wants. Or, rather, he is the silent partner of the big corporations, ready to share with them his inventions, his facilities, his very fortune; to put up research and pilot plants and even full-sized factories for them; to allow them tax and other privileges, bear for them part of the cost of technological progress, and assist them in whatever other ways they might desire.

Moreover, in times of great armament activity, business is more or less expected to take charge quite openly of the nation's economic fate. 'Industry should lead, not follow, in plans for the nation's security', Major-General Everett S. Hughes, the Army's ordnance chief, told the *New York Times* on August 29, 1946. 'Ninety per cent of the initiative should come from industry, and the word "warmonger" should be blotted out.'

Uncle Sam as a buyer of armaments can also be trusted to employ the right type of officials to represent him in his dealings with business, to ask the corporations to lend him some more of their own men in order to secure efficiency and harmony.

All this would of course be different if the necessary pump priming were to be done by raising the people's living standards and insuring full employment and social security. In that case Uncle Sam might show the side of his personality that is reminiscent of Abraham Lincoln: stern, strict, and stingy with the taxpayers' money, full of social principles and inclined to lead rather than follow business. He would channel some of his 'pump priming' funds directly into the people's pockets through insurance benefits and tax rebates and dispense the rest through officials of the New Deal and Anti-Trust type who would again be able to pride themselves on their mission of preserving capitalism by controlling its suicidal tendencies.

Those 'long-haired do-gooders' would be much harder to deal with than the military men and the industrialists-turned-administrators who staff the munitions boards and war-economic agencies. They would try, as in the thirties, to tell business executives of what to produce more and of what less, and to seek their advantage in high volume production at low profit, rather than in minimum output at maximum prices. They would attempt to enforce dormant New Deal laws and get new ones passed by Congress—until some day they might succeed in putting private enterprise into a semi-socialist straitjacket, by some kind of 'planning' or even by nationalizing some of the key industries, as Labour did in Britain. And worse would follow. After all, wasn't it still true that 'Communism is only the New Deal in a hurry', as the saying went in the thirties?

* * *

Meanwhile there has been no real danger of any of this coming to pass.

Ever since the second world war, military expenditures have remained the largest single source of business. Even before Korea, on an annual average, they were larger than the nation's total export trade; several times as great as the purchasing power that came on the market through benefit payments from the social insurance funds of the Federal and state governments; as great as all annual purchases in the world's richest community, New York City, with its eight million customers.

In 1947-8, at their lowest, military expenditures still were eight times as high as during the average last five pre-war years. By 1949-50 they were ten times as high as pre-war, amounting to about $13 billion, or $1 billion more than it had cost America to fight the first world war during the climactic year of 1918-19.

Including the costs of 'foreign aid', one year of Cold War fighting before Korea cost as much as an average three months' actual fighting in the second world war, about one-half of the nation's peacetime budget. Altogether, 'over three-fourths of the budget is due to international events', President Truman stated on July 14, 1949, while 'less than one-fourth arises from the domestic functions of the government'. By 'international events' he meant the wars of the past with their continuing dues on debts and veterans' pensions, the Cold War, and preparations for the third world war.

The pre-Korean Cold War cost took as much of the people's money as all their expenses on health, recreation, political, religious, philanthropic and other 'welfare' activities.

Some 5 to 5½ million Americans, in the late forties, were serving the armed forces directly or indirectly—five or six times as many as in 1939. About half of them were soldiers, sailors, airmen and office personnel of the fighting services. The other half produced their vast military supplies. The labour force in the military sphere was fully as large as that engaged in all iron and steel plants, electrical and other engineering works, automobile, aircraft, household furniture and chemical industries together. And three-quarter million workers and farmers were busy producing goods for foreign aid.

This is what America devoted to the Cold War during the years before Korea: nearly 1 out of every 2 Federal tax dollars or around $20 billion on an annual average; the work of 1 person out of every 10 in the employed labour force; and about one-tenth of the annual production of all goods and services in the United States, leaving out of account the billions of dollars industry was induced and helped to spend on re-equipping itself for dealing with more armaments.

Yet business clamoured for more and faster military pump-priming as the post-war boom weakened, surpluses piled up, and depression threatened.

'The present demand from industry for early action on rearmament contracts indicates a desire to cushion large plants against a possible recession', the *New York Times* quoted 'several executives' on August 29, 1948. This desire has been prevalent not only in the actual armament business but also in the consumers' industries. In the spring of 1948, the same paper reported, total bids received by the New York purchasing office of the Army's Quartermaster exceeded the needed quantities of food, cotton textiles and clothing up to seventeen times, because of 'the lag in civilian business' which 'has made the Army business appear attractive. . . '

The military and business have co-operated closely on preparing for what came to be officially called M-Day—Mobilization Day. These preparations, psychological as well as material, started very soon after VJ-Day, long before the name 'Cold War' was coined.

'Industry must be prepared to meet a surprise attack with the ability to produce and produce under difficult and probably under dangerous conditions', Kenneth C. Royall, Under Secretary of War, told the National Federation of Sales Executives' on May 22, 1946—a few months after General Marshall, the Chief of Staff of the U.S. Army, had assured the nation that, 'for the first time since assuming this office six years ago, it is possible for me to report that the security of the United States is entirely in our own hands'. Mr Royall added that the only alternative to an economy 'directed primarily toward war' was for 'industry itself to be conscious of the need for preparation, and for industrial leaders voluntarily to conduct their businesses with a fair consideration of the possibility of a future conflict'.

At a time when entire American divisions were still on the recent battlefields, when much of Europe and Asia still lay in ruins and many American war-dead had not yet been brought home for burial, alarming headlines began to condition the nation for fresh armaments.

In 1946, the year following the end of the war and the birth of the United Nations, these—culled from responsible newspapers like the *New York Times*, the *New York Herald Tribune* and the *Wall Street Journal*—were typical: 'Industry Planning For War Is Urged—General Hughes Asks Move At Once To Disperse Or Go Underground'. . . . 'Army Would Save Ordnance Plants—Enough of Industry Should Be Kept To Meet Any New Crisis'. . . . 'Industry Jobs To Be Assigned Naval Officers'.

In 1947, when every potential foe of America still was near-prostrate with war wounds: 'Ordnance Makes Ready For Orders—U.S. Must Be Prepared'. . . . 'Training Of Industry Leaders, Educators In Armed Forces College'. . . . 'Industry Studies "War Games" Plan—Leaders Aim For "Full Dress Rehearsal" Of Mobilization Following Somervell Plea'. General Somervell of world war fame, incidentally, now was president of the heavy-industrial Koppers Co. of Pittsburgh; and another high officer who joined the General's plea that 'an advance plan of industrial mobilization must be adopted immediately' was now Vice-President of the famous Sperry Gyroscope Corporation, in whose warplants at Lake Success the United Nations shared quarters with workshops engaged in secret war production.

In 1948, when America still held the monopoly of the atom bomb: 'Americans Must Learn Facts Or Perish, Officer Declares At Mobilization Course'. . . . 'Mobilization Guide Issued To Industry'. . . . 'Munitions Board Is Speeding Plans For Mobilizing Nation's Industry' . . . . 'Swift Mobilization Aim—Industry Leaders Hail Program'. . . . 'New Group Seeks Continuous Cooperation Between Armed Forces And Industry' ('the first time in U.S. history that armed forces and industry have started to cooperate for economic mobilization before the actual beginning of a national emergency') . . . 'Radioactive Cloud Held Top Weapon—Sixty Days' War Forecast'.

In 1949, when the fear of depression rose high in America: 'Munitions Board Drops Bowing To Peace Economy In Scarce Materials Quest'. . . . 'Cold War Buoys Plane Industry—Military Only Major Market Left'. . . . '800 Industrialists Aid Mobilization—Overnight Conversion To War Is Aim'. . . . 'Capital On Rails In Atomic War, Legislation By Television Urged'.

So it went on in 1950, before Korea: 'Defense Buying Hits Stride—Business Is Feeling Maximum Impact of Military Spending'. . . . 'Mobilization Plan Urged By Bradley—"Bold Program" Would Include Entire Economy'.

Gradually, the military and business were becoming one in a budding garrison state that provided ever increasing strength and power for the armed forces and ever increasing orders for industries badly in need of them. Where there was not sufficient enthusiasm for the new war economy, in small business, threats were being used. 'Should you be unprepared in time of emergency and unable to participate in production of essential goods, there would be no way in which you could be protected', stated the 'guide for business to potential mobilization' of the Munitions Board (*New York Times*, June 1, 1948). 'Unless you can shift to essential production, your supplies of raw materials might be cut off and your labour force drained away. "The very existence of your company might hang on your preparedness for the emergency".'

'Every major manufacturing concern that would be called on to produce military material . . . has firm orders to get under way on such a programme immediately after an M-Day (mobilization) signal', the *New York Herald Tribune* quoted the Munitions Board on September 5, 1949. 'This production counterpart of the military establishment's ready-for-instant-action combat striking forces is, of course, only the spearhead phase of the nation's comprehensive industrial mobilization program over which the National Security Resources Board exercises general supervision. . . . This plan, which has the advantage of being not only "on paper" but in active practice, is providing for the training of military specialist reserve units in scores of industries throughout the country. . . . At latest count, the Army had nearly 10,000 such specialists organized in 1,263 industry-sponsored and industry-army-trained "affiliated units" ranging from company down to squad size or less.'

Just as armament orders served to prime the pumps of depression-threatened industries, the recruiting propaganda of the armed forces frankly recommended military service as a solution to the problems of unemployment, economic insecurity and unfilled wants, which plagued millions of young Americans. In the late forties the news pages of the daily papers were interspersed with strikingly placed 'want ads' like these:

'MEN 17 TO 30. There are no lay-offs, no seasonal slumps, no pay cuts in the Navy. The men who want security and a career are enlisting or re-enlisting in the regular Navy now. For full details, go to your nearest Navy Recruiting Station.'

'GOOD PAY, housing, clothing and food are advantages in new Regular Army. Enlistments for eighteen months, two or three years accepted. Details at 39 Whitehall or nearby substations.'

'CONDUCTED TOURS available to men 17-34, of Switzerland, Norway, France, other foreign countries. Complete details at Army Recruiting Stations. Apply now.'*

United Press gave this news item from Cincinnati, Ohio, on October 14, 1949: ' "Sixty men wanted, aged seventeen to twenty-three, for part-time work at $1.25 and up", read a newspaper advertisement here last night. One hundred and fifty men reported and indignantly discovered they had been lured to a National Guard Recruiting Station. The operation netted twelve recruits.'

The developing garrison state also required a new kind of morale among the civilian population. This was one of the reasons for the 'loyalty tests' and purges of government officials, the 'non-Communist affidavits' demanded of all labour union functionaries, the spy and treason trials, the persecution of artists and scientists and publicists for 'Un-American activities', the posters all over the country, inviting people to keep their eyes and ears open and inform the F.B.I. immediately of suspicious conversations, and the lurid press coverage given to the ideological Cold War at home.

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'War scares' were an equally important part of this morale campaign, and they usually had little to do with what went on at the time in the outside world.

* Footnote from Korea: 'To the G.I. who must bear the brunt of the fighting, the realization that service in the regular peacetime Army involved the risk of death on a strange battleground came only when he moved into the combat area. "The recruiting posters didn't say anything about this", one young infantryman said as he moved toward the front. "I'll fight for my country, but damned if I see why I'm fighting to save this hell hole".' (*New York Times*, August 13, 1950).

One kind of 'war scare' was caused, as it were, by self-ignition, by the ever increasing intensity and urgency of American rearmament, for which the man-in-the-street and many a businessman outside the actual armament field could see no other explanation than that a new world war must be around the corner. 'A new wave of war scares is breaking out, based on what is going on inside, not outside, the United States', wrote *U.S. News & World Report* on November 28, 1947. 'Speculation centres on big U.S. orders for war materials. . . . Rumors are circulating, too, about giant underground factories and stored wartime planes quietly made ready for action.'

The other kind of 'war scare' was purposely raised to facilitate the passing through Congress of appropriations for armaments and Cold War policy measures.

Military leaders, giving confidential information to the uninitiated in the business community, often took a hand in creating the impression that America was actually on the brink of war. 'One executive who had just returned from a three-day conference with top officials in the national defense agencies', a report of the *New York Times* quoted a business firm on April 5, 1948, 'remarked with reserved awe that he feared war was now inevitable.' This was why 'warnings against using war scares as a basis for the formation of business policies were privately circulated in heavy equipment industries here last week, top executives revealed. They particularly stressed dangers of over-buying or inventory speculation. . . . Executives in leading companies disclosed that they are seriously concerned about trends toward "war hysteria".'

Those business leaders did not know how close America had drifted to a third world war, at the very time when they uttered this warning. The revelation came some six months later. 'In the spring of 1948 a mistaken intelligence estimate . . . stimulated recommendations which —if followed—might well have had serious consequences', reported the Hoover Commission's sub-committee on the National Security Organization on December 16, 1948, in the course of its efficiency investigation of various branches of government. '. . . presumably war. . . ', was how the *New York Times* interpreted the term 'serious consequences'. For the 'mistaken intelligence' concerning alleged Soviet troop movements in Germany had been 'biased and subjective', mistaking the 'capabilities of potential enemies for their intentions'.

Nor were Americans, during those early 'war scares', aware of the tragic mental state of one of the most important men behind them, Defense Secretary James F. Forrestal—until one night in the following winter, clad in pyjamas, he rushed from his bed into the park of a country house where he was staying, to chase imaginary Soviet paratroopers; or until, soon afterwards, he committed suicide by jumping from the window of his hospital room.

This was the period of acute deterioration in world affairs—when a 'flash war' to knock out an easily identifiable 'enemy' within one month was blueprinted for the U.S. Air Force by Colonel Dale O. Smith in the *Quarterly Review* of its Air University . . . when the Federal Security Administrator, trying to 'sell' Congress on the government's health programme, had to keep up with the times by stating that 'fortunately, the steps that we should normally take for economic and social progress are, in matters relating to health, the same steps that we would take to be prepared for a national emergency' . . . when the trade union leader Walter P. Reuther tried to support his plan for the production of millions of urgently needed pre-fabricated houses by suggesting that they be made in vast, government-subsidized airplane plants kept ready for immediate conversion to war purposes . . . when stock exchange tip sheets advised customers on 'What To Do With Your Money And What Stocks To Buy In Case of A Sudden War—In The First 10 Days—In The Second 10 Days' . . . and when few but some hundred-forty million plain, nameless citizens of the United States seemed to keep their sanity.

'Power-hungry men in uniform', as Major-General Meritt A. Edson, USMC (Ret), called them in an article in *Collier's* magazine of August 27, 1949, played an increasingly important role in Washington.

'While the attention of most Americans has been focused on Europe's Iron Curtain, the shadow of another curtain—a Brass Curtain raised in Washington's Pentagon Building—is spreading over the nation', the retired General wrote. 'Behind it, continuing efforts are being exerted to fashion an American replica of the Prussian general staff system which destroyed all vestiges of democracy in the German nation, which plunged that country into four wars within three quarters of a century, and which has left Europe devastated, police-ridden and bankrupt. . . . Wherever this type of military organization has appeared, the result has been the same. As night follows day, its adoption has been followed by the loss of individual freedom, the destruction of democracy, and poverty for the people who are stripped to meet the ever-mounting costs of armament. It seems to work well in the early days of a war. But within the era of the generation which creates it, there have always come ignominious defeat and national disaster.'

As time went on, the well-informed business press got advance knowledge of impending official 'scare operations' by which the masses of the people and their tax-shy representatives in Congress were to be conditioned for fresh sacrifices. 'War scare is having to be drummed up again to excite interest in a gift of arms to other nations', *U.S. News & World Report* on August 5, 1949 told its business readers. 'War talk is artificial, phony, but it is regarded as necessary to get Congress stirred up enough to produce a favorable vote.'

'War scares' followed war scares whenever fresh armament or Marshall Plan appropriations came up for debate in Congress, and the results became more and more alarming. 'Dean Acheson, Secretary of State, is responsible for the shift in U.S. foreign policy away from dependence upon regular war alarms to keep the American people stirred up', the same paper reported on November 18, 1949. 'If U.S. keeps up its large-scale aid to the outside world, it will be on the basis of a considered decision and not as a result of officially inspired cries of war just around the corner.'

But that shift never took place. On April 8, 1950, *Business Week* cautioned its readers: 'don't be surprised if the Administration resorts to phony war crises to get its way in Congress on foreign-policy legislation'. And again, on June 10, 1950, during the great wave of war hysteria immediately before the Korean war: 'This week's crisis atmosphere was created to push the $1.2 billion of second-year arms aid [to the North Atlantic Pact nations]. . . . The technique is familiar . . . the old Washington habit of relying on "emergencies" to whip up public backing for controversial issues.'

There was apparently little thought among those in Washington who launched these 'war scares', among the businessmen who demanded armament orders which could be financed only if wave after wave of hysteria pried loose the necessary funds from a Congress aware of the people's un-warlike mood, and among those who, with their intermittent 'peace scares', again and again confirmed the dependence of America's economic order upon an ever increasing armament business and therefore upon ever growing international tension—that all this was bound to have extremely dangerous repercussions on the hostile forces facing each other across the actual front lines of the Cold War.

This was one of the reasons why so many in America were surprised by the outbreak in Korea.

* * *

Big Business has benefited greatly from the consequences of the Korean war.

The quickly maturing garrison state has given it more power than it ever had in peace or war. 'Businessmen . . . are taking over the job of running the U.S. economy, of devising and applying new controls', *U.S. News & World Report* wrote on February 9, 1951. 'These men, who are on leave or have resigned from their companies, dominate the new agencies created to keep production running smoothly, slow the advance of prices and stabilize wages.' Different from conditions during the second world war, when 'New Deal politicians, lawyers and economists tended to take command, . . . the business phalanx is taking charge. . . . Executives are delighted.'

As during the second world war, when 100 corporations received 67.2 per cent of the total volume of war contracts, according to official figures, the giants are again obtaining most of the armament business. 'Ten large corporations got more than one-fourth of all the Government's multi-billion-dollar defense business during the first nine months of the Korean war', United Press reported on June 23, 1951.

Military orders grew to tremendous proportions. By the spring of 1951, the Government placed contracts at the rate of $5 billion a month, according to a statement of the Office of Defense Mobilization of March 16. This was exactly half as much as the nation's entire retail trade.

The new, high-volume armament business seemed to take on the character of permanence that may almost free it from the uncertainties of Congressional moods, of 'peace scares' as well as 'war scares', and establish it as a strong and lasting 'floor' under the American economy.

'Over the years ahead, regardless of who is President, the Government's top forecasters expect that defense spending never will fall below 40 billion dollars a year', *U.S. News & World Report* wrote on January 25, 1952. 'Armament, to them, is a vast and permanent new industry that will transform the business outlook for this country. . . . Good profits. Lots of business. No hard times. Defense spending will see to all that.' Again, on March 14, 1952: 'Defense in the United States is to be a 200-billion dollar industry . . . a gigantic undertaking . . . important to U.S. business for at least 15 years in the future.'

Money for armament orders promises to remain plentiful, both from new appropriations and accumulated, unspent funds. The Joint Committee on the Economic Report gave these figures on February 20, 1952: 'Major national security' expenditures were $12.9 billion in 1949-50 (before Korea), $26.4 billion in 1950-1, $50.7 billion in 1951-2 and will be $66.4 billion in 1952-3. But the Committee estimated the 'total available funds' of the armed forces, including as yet unspent money, at $120.6 billion for 1952 and at $134.6 billion for 1953. By comparison, all 'major national security' expenditures before the war, in 1939, were $1.3 billion. Even at the height of the second world war, in 1944, they were no more than $87.4 billion.

Most important of all, it has gradually become the accepted policy doctrine that armament orders are to be handed out according to economic—rather than military—needs. This explains the frequent fights in and out of Congress about the amount of appropriations for armaments and 'foreign aid'. It is largely based on differences of opinion about the volume of 'pump-priming' the economy requires at a given time, about the size of the 'pool of unemployed' that is supportable or desirable. Differences on the foreign and military policies which the appropriations for arms and foreign aid are to sustain are therefore often merely secondary motivations in such controversies.

Washington's practice since 1951 confirms the correctness of this summary by *U.S. News & World Report* of March 21, 1952:

'Armament is to become more and more a pump-priming project. Arms money tends to be turned on or off, to be directed this way or that, depending on economic weather vanes. Armament, as the planners see it, can become the great stabilizer of the future.

'Arms race is something of a phony. Instead of sprinting to get arms with which to win, attention is on jogging along, using arms money to keep business on a fairly even keel.

'Economic effects and opportunities in arms are getting more official attention of planners than the military effects. The planners figure they've really got something in arms money.

'War itself obviously is to go on simmering.'

So are the dangers into which America is drifting, and, in her wake, the world.

The danger of ruinous inflation: 'inflation is the enemy which wipes out our tanks, our guns and our planes as ruthlessly as any Chinese or North Korean army', Charles E. Wilson, Director of Defense Mobilization, said on April 27, 1951. 'For every $10,000,000,000 appropriated by Congress for rearmament we have lost $2,000,000,000 through the inflation of costs . . . a casualty loss of 20 per cent.'

The persistent danger of depression—still sporadic but constantly spreading, requiring more and more military pump-priming and therefore more and more inflation, thus mercilessly paving the way for a general economic crisis: 'Unemployment is acute in some parts of the country . . . whole groups of people feel hard up . . . real depression is present in some industries and some lines of trade . . . the mixture of boom and recession, in other words, runs all through the economy' (*U.S. News & World Report*, February 15, 1952). 'Most businessmen [are] more worried about slack consumer demand than the impact of materials shortages' (*New York Times*, September 24, 1951). 'There simply has not been nearly enough military work to take up the slack. . . . Buying resistance, in fact, is so great that makers of durable goods are not at all sure they want the increased allotments of [relatively scarce raw] materials. . . .' (*Newsweek*, March 24, 1952).

And finally the worst danger—of which Walter Lippmann warned on February 27, 1951—that America might make 'the great military mistake which has ruined so many other nations. It is to arm past the point of no return. It is to create armaments that are so heavy to bear that they must be used in the hope of getting rid of the burden.'

For, 'wars that are inspired not by self-defense or by clear policy, but by internal pressures and irrational hopes, invariably end in ruin and disaster'.

'Will business men be left holding the bag when defense spending eases up? Many of their private economists and analysts say so. They think the bottom will drop out of the market when the Government reduces its large expenditures, to the ruin of those who expanded plants and filled warehouses.' (*Associated Press*, from Washington, August 9, 1952.)

Part Three

THE COLD WAR AT HOME

VIII The Straitjacket on Production

'Victory, without the use for abundance of the powers we have developed for production in war, would be indeed a hollow victory.

'We must plan for security and abundance together.'

President Franklin D. Roosevelt

THE LEADERS OF THE BASIC INDUSTRIES ARE AS FAINT-HEARTED as they are powerful. They always see danger in abundance. They believe that low profits, glut and depression must result if, in time of peace, they allow the nation to use to the full its resources of human skill, mechanical power and new technology, its mines and fields and factories.

This is why, at the end of the second world war, they put the country into a straitjacket of managed scarcity, and with it a good part of the world; why, over the average of the first six post-war years, American industry produced twenty per cent less than at the height of the war, in 1944; why hundreds of billions worth of goods which could have been turned out and were badly needed to fight want and poverty at home and abroad, were not produced; why the strait-jacket was loosened only after the Korean outbreak; yet why even in the first half of 1952, during the new armament boom, the total industrial output of the United States was still 13 per cent below the highest level it had reached during the war, or actually 24 per cent less per head of the country's greatly increased population.

Few Americans knew about that first, decisive post-war action of the giants of industry against the concept of 'peace through plenty'—until, in 1947 and 1948, some of those reponsible for it were invited by Congressional committees to defend themselves. Even then, the popular press revealed little about that dramatic spectacle.

The accused were the rulers of the steel industry who held production down in order to keep prices up, prevented the expansion of their own and other industries for fear of competition, and thereby set the post-war pattern for America and many other nations.

Among their accusers were first of all the delegates of the nation's 33,000 independent processors of steel: small and medium manufacturers, solid businessmen who cut fine figures at chamber of commerce meetings and bargaining sessions with the labour unions, but who live in utter dependence and fear of America's eighteen powerful steel makers.

'Your Committee is well aware of the fear which makes evidence hard to get', said the vice-president of a sizeable company when the chairman asked him for details on the nationwide complaints against the steel masters. 'Many small businessmen are unwilling to talk because, if they should, they fear that such steel as they are now able to secure will be shut off altogether, forcing them out of business. . . . It is deplorable that a situation warranting such apprehension can exist in America.'

'You see, the stampers and other small buyers are really scared, Sir, to talk out loud', said the president of the Pressed Metal Institute. 'They are afraid to be cut off because they had the temerity to speak out of turn. I know to my own knowledge that Jones and Laughlin [the fourth-largest steel concern] when this campaign of ours was getting under way, sent word to a member that they wanted this campaign stopped, period. . . . At 11 o'clock today, one hundred stampers will stand in solemn prayer, Sir, that you may have the wisdom to find the answer for them.'

The Committee chairman still did not quite realize the fear those businessmen had of the steel corporations in the free United States. 'After you go home', he suggested, 'if you can send us a list of these. . . .'

'I will endeavour to see if anybody will confess . . . but you know, they *are* scared, Sir.'

Week after week followed the testimonies of the few who had the courage to speak out. They told of expansion plans in many secondary industries and agriculture which had to be abandoned because of the artificially created lack of steel; of factories that had to be slowed down or closed, manufacturers who went bankrupt, uncounted workers who lost their jobs; of farmers forced to curtail their herds on vast expanses of semi-arid grazing land where cattle were dying by the thousands for lack of steel products like windmills, pumps and pipe needed to supply them with drinking water; of housing projects that were stalled, oil drilling that was stopped; of the lack of railway cars for the transport of bumper crops, with the result that food rotted in open-air dumps while the world was hungry—all because the steel industry, for its own safety, wanted scarcity.

Then came the experts of various government departments, criticizing the steel makers for their refusal to increase their output, charging that they had actually lowered productive capacity since the war under the pretext of 'modernization', accusing them of fixing an unduly low production volume for the future of the entire American economy—since it must always be true that 'as steel goes so goes the nation'.

But the steel masters did not yield. They knew no law could be invoked against them and felt safe in the knowledge that their influence in a high place had already broken the front of Administration leaders that criticized their low-production policies. The most competent of the government departments significantly failed to give the Congressional Committee its own forecast of the nation's need for steel: the Department of Commerce under Secretary W. Averill Harriman, himself one of the magnates of Big Business. The steel investigation of his Department, having gone 'far enough to indicate that the results wouldn't have differed greatly from other government studies, has been enmeshed in the complicated politics of steel', reported *Business Week* on May 17, 1947. 'Steelmen resent accusations of inadequate ingot capacity. . . . They didn't welcome the prospect of a Commerce Department voice joining the chorus. So the issue became more sensitive than Secretary Harriman relished. Plans for a forecast, therefore, were dropped.'

Finally, organized labour came to testify. Its main spokesman was Walter P. Reuther, president of the United Automobile Workers (C.I.O.), America's largest single trade union, himself one of labour's staunchest upholders of the existing economic order. By their restrictive policies, he said, the steel leaders 'decided that our chances of achieving full employment are too risky to justify the capital investment in steel making which full employment will require. . . . The steel formula which they lay down would freeze our future standard of living to the levels of the past. . . . It is a program of planned scarcity plainly calculated to enhance profits and fortify their monopoly hold over this basic industry. . . .The restricted production and the disastrous unemployment which their plans entail will be forced upon us. . . . All that the steel industry is risking is capital, but the people of this country are going to risk their whole future and their freedom . . . shortage of steel is one of the Communists' secret weapons in America.'

While America and the world were suffering acute shortage, 'the American Iron and Steel Institute showed that the steel industry today, without even expanding capacity, could be producing 9 million tons a year more than its present output'. Those nine million tons of steel which could have been, but were not, made were as much as the combined annual production of France, Belgium and Luxembourg.

The nation would need at least 110 million tons of steel a year by 1950 if there were to be full employment, the scientifically calculated estimates of government and labour experts told the Committee; and 120 million tons would be needed if full employment were to go hand in hand with full investment for the normal growth of the economy.

But the steel magnates differed from these experts to an almost incredible extent: 56 million tons per year by 1950, said their main spokesman, Mr Sykes of the American Iron and Steel Institute, might actually be enough to cover 'average demand' and 77 million tons would provide for the 'optimistic assumption' of 'peak demand'. The industry's capacity, although admittedly reduced from its wartime record of nearly 96 million tons to 91 million tons, would therefore be more than sufficient. In fact, it would 'seem to be ample for our future needs for many years to come'. Only by 1975 or so, said Mr Sykes, might more steel be needed.

How was it then that the 85 million tons of steel a year that were actually made at the time of the investigation proved so tragically short? That—in the steel masters' view—reflected an 'abnormal situation', a freak demand which must not be made the basis for long-term production plans.

'In other words, you think we will again have a very serious drop in consumption?' the Committee chairman asked the witness.

'I don't know how serious', Mr Sykes replied. 'We have always had our ups and downs and I don't think there is any reason to assume we won't have them in the future.' He then gave the steel industry's considered opinion of small businessmen who still believed in the proverbial 'American opportunities' and wanted to build, expand and produce as much as possible.

'It came to my attention', said Mr Sykes, 'that a manufacturer who normally would use 10,000 to 12,000 tons of steel a year and who during the war worked up to using 30 to 40,000 tons . . . had the idea that he was going to continue pretty well along the war tempo. . . . I think he is foolish.'

'But in America, where we have free enterprise, the free enterprise system', the Committee chairman broke in, 'hasn't a man a right to his judgment?'

'If he can get it', Mr Sykes conceded, referring to the steel supplies so firmly controlled by corporate power. 'I suppose he has if he can get it.'

It was not the first time that the steel leaders had flagrantly misjudged the nation's needs and taken lightly their responsibilities. 'Sixty years ago', *Business Week* recalled on June 4, 1949 in an article about the founder of the vast trust that became the U.S. Steel Corporation, 'Andrew Carnegie dickered with British financiers on the probable sale of his American iron and steel properties. He had the notion that the steel industry in 1889 had reached its limit in this country. Obviously, he was wrong. But he incurred no penalty for underestimating the future growth of demand.'

Carnegie's successors had made another 'bad guess' when the second world war was coming to its height in Europe, the Japanese were ready for attack, and the democratic world was in deadly danger. Steel was its major need. But the American steel magnates stubbornly refused to expand productive capacity and did not budge under President Roosevelt's prodding. They feared being caught with surplus capacity in another depression and eventually forced the Government to carry the financial risk of building for them the additional plant the war required.

America and her allies had to pay dearly for the delay, in lives and precious time. In the grim summer of 1942, when the worst blows were falling at all fronts, a similar Congressional inquiry was held to find out why, in the words of Senator O'Mahoney, 'construction of Liberty ships . . . has been stopped because of lack of steel', why there was 'not steel enough to build the military equipment needed by the Navy and the Army', and why 'the railroads haven't steel enough'—even after the Government had put up the money for the belated expansion of the steel industry.

The chairman of the Committee then was Senator Harry S. Truman from Missouri. 'There was fear on the part of the big companies that they would lose control of the steel business', he said, 'and they were very careful to see that the expansion was made among themselves and that no new facilities were put up and that no little company was allowed to get in on the expansion.'

A witness gave the Committee this typical experience of his firm, an independent concern which had been developing ore, coal and limestone resources on the steel-starved West Coast, but was prevented from building the urgently needed steel plant: 'We were stopped when it came to finance. Wherever we went, we encountered the Morgan-U.S. Steel Corporation forces and these had the power to prevent every private and government source from handing us the funds pledged us in written, signed undertakings. . . . Each was forced to back out, through one method of evasive action or another, a series of performances that rival Hitler's best. . . .'

'I feel you sense, while our Nation but dimly realizes'—this victim of 'free enterprise' summed up—'that winning the war against the Hitlers in our midst is equally as important as winning the war against the Hitlers without.' Senator O'Mahoney underscored 'the testimony of this and many other witnesses that the manufacture of steel is being impeded by those who desire to control the manufacture of steel, no matter what happens to the Government, to the war, and to the people of the United States'. Yet the steel masters escaped, their power unimpaired.

'Today, industry cannot afford any more bad guesses like these', *Business Week* warned seven years later. 'If the steel industry or any basic industry now underestimates the future need for its product, it will incur real penalties—penalties that may extend to something close to socialization.'

But the steel masters knew what risks they could run after the war. They never feared the Government of the United States and did not fear it now. They knew that a few years of the steel scarcity they were again enforcing would prove them right: that no more steel would in fact be needed; for the simple reason that 'foolish' businessmen who wanted to continue peacetime production at wartime levels would have to forget about their dreams. For America's post-war economy could not possibly grow bigger than the volume of steel supplies permitted; and the same would be true of that vast part of the world which was now more or less dependent upon the United States. They knew also that if there were to be war again, or near-war, Washington would once more finance the construction of the necessary plants and later leave those plants to them for a fraction of the cost, as it had done after the second world war.

Untold numbers of expansion plans in industry, agriculture and public works were thus frustrated—first by the physical lack and then by the high price of steel. In this way, the nation's total production of goods was 'normalized' far below the much larger volume that could easily have been achieved. Rising prices and unemployment further lowered the people's purchasing power, and the effective demand for steel and everything else eventually fell so much that even the low output the steel masters had fixed became excessive. So that, in the spring of 1949, the business press could report: 'U.S. Steel Shortage Ending', 'Normality Trend Seen In Steel Cuts—Furnaces To Close Down', 'Pittsburgh Company Reduces Output Because Of Drop In Demand'. And the steel men proudly said to their critics of yesterday, 'we told you so'.

Yet even in the general business slump of 1949, which drove down most other prices, the price of steel stayed high. For the steel industry, despite the forced expansion of the world war, had held down the total ten-year growth of its productive capacity to a mere one-sixth, while the manufacturing industries had increased theirs two-thirds since 1939; and even during the slump of 1949—in the words of the Congressional Committee To Study Problems of American Small Business—there was still none of that 'competitive surplus' of steel that would 'adequately serve an expanding economy'.

Soon, however, the growing armament boom revived the steel shortage in the civilian industries. 'Distressful stories have come to light of eager and ambitious businessmen who are being blocked in plans for setting up new industries because of inability to get the metal', the *New York Times* reported on June 18, 1950. 'The United States Steel Corporation, because of its dominant position, in effect dictates price, wage and production policies for the industry as a whole. Hence, it is contended, a free market in steel does not exist and competition is a negligible influence; whereas more steel-making capacity would lead to greater competition and thus to lower prices and a more flexible supply situation.'

It is true that the rising armaments with their great, long-term profit prospects eventually induced the steel corporations to reinvest some of their vast profits. But, as President Philip Murray of the C.I.O. unions said on March 29, 1950, those investments were made 'not primarily to increase production but to increase profit and *per capita* production', with the result that 'thousands of men are being laid off'.

This has been true of a good part of the large post-war investments of American industry as a whole: they served to rationalize rather than expand production, to save labour, lower costs, and increase the rate of profits.

It was only after the outbreak of the Korean war, which raised the armament boom to a new high and gave it the air of permanency, that, with a good deal of help from the Government, the steel industry by 1951 raised its capacity to 105 million tons per year and planned to increase it by 1955 to 120 million tons—the level which, in the opinion of government experts, should have been reached by 1950 to allow the American economy full peacetime development, without enlarged armaments.

What happened in steel during the years before Korea had its parallel in all other basic industries.

Manufacturing 'certainly has experienced misery since the war', stated the Congressional Committee To Study Problems of American

Small Business, 'because the facilities of the basic industries have been inadequate to support the volume of production that could be sustained by the processing industries. . . . The deficit in supply will inevitably set a ceiling on the national productivity and a brake on free enterprise. . . . The controlling producers of the most important basic materials are few in number, less than a dozen in each of the great basic industries, steel, aluminum, copper, chemicals, etc., on which other industries depend. . . . They have great investments to protect; and to a large extent they own or control their own sources of raw material supply. . . . Their similarity of interests and their close business and personal relationships [make it] possible for the managers of basic industries to adopt and carry out policies of limiting capacity and output—to adjust supply to their idea of demand without formal or organized action.'

* * *

There were still other forces at work to stunt the growth and imperil the health of the American economy—by depriving it of the full benefits of modern science and technology.

Yet no Congressional Committee cited them for investigation, no governmental agency tried to prosecute them, no major labour leader declared war on them. For, it would have meant indicting most of business; condemning the futile 'Fair Deal' policies of the Truman Administration, which tried to reconcile 'reform' with maintaining the *status quo*; and inculpating the leadership of many labour unions which tried to protect their members' narrow, immediate interests by tacit co-operation with business in putting brakes on new technology. It would have meant denouncing the very principles of the American economic order on which the United States and the American-led world supposedly were able to rely for wholesome, steady growth. The futile steel investigation had done enough harm to the prestige of the American system.

First of all, there was serious trouble on the highest scientific level. 'The United States is not holding its own with Europe in producing new discoveries', Dr Karl T. Compton, president of the Massachusetts Institute of Technology, was quoted by the *New York Herald Tribune* on December 10, 1947; 'most of the new scientific ideas are emanating from the brains of Europeans.'

Why? 'We have not been able to maintain the proper conditions for best scientific work', President Truman told the American Associa- for the Advancement of Science on September 13, 1948. 'Eight distinguished scientists . . . expressed their alarm at the deterioration of relations between scientists and the Government because of the frequent attacks which have been made on scientists in the ostensible name of security.... The Federal Government is losing the services of excellent scientists [who] very understandably are reluctant to work where they are subject to the possibility of smears that may ruin them professionally for life. . . . Indispensable work may be made impossible by the creation of an atmosphere in which no man feels safe . . . the climate of a totalitarian country in which scientists are expected to change their theories to match changes in the police state's propaganda line.'

Strangely enough, the President said this at the very time when he initiated 'loyalty checks' on the political convictions of all Government officials, extending to the persons with whom they had ever associated, the newspapers and books they read, and whatever else might lay them open to suspicion of 'subversive tendencies'; when, at the inspiration and with the aid of his Government, red-baiting and witch hunts spread all over the nation and rose from climax to climax; and when Washington induced the labour leaders to follow suit and transform their unions into another battleground of ideological warfare.

Moreover, most major scientific work in post-war years has been of a military nature, and a good deal of the rest depends upon military patronage. 'The military services in this country have purchased American science, lock, stock and barrel', wrote the *New York Herald Tribune* on November 16, 1946; so that scientists 'fear the day when science will be utterly an appurtenance of the Army and Navy, for on that day it will be only a question of the services' continuing good will that will guarantee freedom for science'.

'Since the war the U.S. has taken about every misstep possible, it seems, in the promotion of basic science', *Fortune* magazine wrote in 1949. 'An immediate post-war attempt to retain a large segment of science under military control, defeated in the area of nuclear physics by a unique uprising on the part of scientists themselves, made the conversion from war to peace extremely rocky.... Congress and the Administration have fumbled the creation of a National Science Foundation, under civilian scientific direction, to supply much needed funds to universities and other institutions for basic research. . . . By default, major support of research has fallen, in spite of all battling against it, to the military, which has almost unlimited funds. . . . Nothing has struck deeper at U.S. scientific morale, however, than *l'affaire* Condon—branding Dr E. V. Condon, chief of the U.S. Bureau of Standards, by imputation, with no chance to defend himself, as the weakest link in atomic security.... There are now two recorded cases in which American scientists, revolted by the turn of affairs here, have left the U.S. and taken up residence abroad . . . an ironic twist in world history.'

The 'financial pull toward military applications' has been moving research away from its peacetime aims, *Business Week* quoted the president of a research foundation on June 18, 1949. 'While it is true that some of the research which is done for military purposes will have industrial applications, it is an inefficient method of getting results for industry.'

Added to the political handicaps in the way of American scientists are manifold organizational and financial difficulties. The President's Scientific Research Board (Steelman Committee) dealt with some of them: 'The United States has no unified or comprehensive policy on scientific research or the support of science.' Expenditures on basic research, to become sufficient, would require a four-fold increase; for they are badly neglected in a system in which 70 per cent of all outlays for scientific work are normally made by industry and therefore for practical rather than fundamental aims. The salaries of scientists have been too low. 'Two-thirds of all college and university science professors and instructors received salaries under $4,000 a year in 1946', or one-fourth less than a family then needed to obtain even adequate medical care, by the standards of the Federal Security Administration. Only two per cent of them were paid $7,000 or more. Of the scientists employed by the Government, two-thirds received less than $5,000 a year, and only some six per cent drew $7,000 or more.

Scientists in industry, as a rule, are not paid much better. The fortunes they make out of their discoveries are more or less film and magazine fiction. 'What are the incentives that inventors in your industrial plant have, the monetary incentives?' Dr Kettering, the research director of the General Motors Corporation, was asked on April 9, 1940 during the Senate's investigation of the concentration of economic power. 'Do they gain by the invention made?'

'We don't give specific bonuses to the inventor', was the answer of Dr Kettering, one of America's most vocal defenders of free enterprise and rugged individualism, 'because we want to keep these fellows from becoming individuals.'

Altogether, 'the crisis of science in the United States' with which the Steelman report dealt is that of an economic order unable, in peacetime, to devote more than one-half of one per cent of the national income to scientific research and development—because the scope of its science work is circumscribed on one side by the cash dividends it promises and on the other by the danger it implies of making existing industrial plant obsolete.

* * *

America's economic order also makes it difficult to apply all available scientific knowledge to new technology.

The problem of the industrial use of atomic energy provides an example. Two prominent U.S. Senators, Arthur Vandenberg and Brien MacMahon, according to *Collier's* magazine of May 3, 1947, 'gave a dramatic illustration of the way in which unrestrained development of atomic energy could affect the American economic order. Suppose a man suddenly announced he had invented an atomic locomotive which could run from New York to Washington on a few dollars' worth of atomic fuel. All railroad and coal company stocks would be worthless. . . . Insurance companies with railroad investments would go broke and there would be pretty general financial chaos.' The National Association of Manufacturers, therefore, acted only in the logic of 'free enterprise' when it attacked the bill for the control of atomic energy, which gave the Government the right to refuse licences to concerns liable to use them 'to maintain or foster the growth of monopoly, restraint of trade, unlawful competition', or to indulge in practices that would 'be inimical to the entry of new, freely competitive enterprises into the field.' As the *N.A.M. News* of June 15, 1946 put it, 'no one would desire to expend the funds necessary to establish a plant to carry on production when all of his competitors would be on an equal footing'.

It is not only in the field of harnessing the atom to industrial use that the question continues to arise: can America afford to apply new scientific knowledge as quickly and as fully as it would be technically feasible? 'A banker once defined invention as that which makes his securities insecure', stated the report of the Temporary National Economic Committee on technological trends in the United States. Edsel Ford, then president of the Ford Motor Company, admitted before the committee: 'It is believed that the use of some [technological] devices is retarded by the fear of capital to make the necessary investment. . . . The theory of scarcity rather than that of plenty is another retarding factor. Usually, full use is slower than desired.'

The Twentieth Century Fund stated after the war that 'new production techniques are introduced more quickly under competition than in controlled markets [since] monopolists do not introduce or permit the introduction of a new process if they can prevent it—unless the total cost of production under the new process is less than out-of-pocket costs under the old. Otherwise, the new technique reduces or destroys the capital value of their equipment.' What that means in practice can best be judged by the facts that have already been cited on the ever-increasing monopolization of economic power in the United States.

Yet the Committee for Economic Development, a group of business leaders and congenial economists, in their praise of America's economic order as a model for the world, found it 'difficult to imagine how a regimented [socialist] economy with relatively few centres of initiative could compete in dynamic drive and in technological progress with an economy [like America's] that has several million such centres'. The Committee overlooked that such difficulty arises only if one confines oneself to mechanical comparisons between the current production totals of the exceptionally rich and historically favoured United States and those of nations that suffered terribly from the same wars which so greatly benefited America; if one leaves out of account that Britain's 'semi-Socialist' system also happens to be greatly handicapped by long-standing industrial obsolescence, the grim heritage of her own 'free enterprise' past, and by her trade dependence on the ever unstable dollar world; and that the Soviet economy is in a very early stage of industrial development during which civil war and the need for great defence preparations in the thirties have been enormous additional obstacles.

A typical illustration of America's technological dilemma was given by an editorial in the *New York Times* on May 15, 1949, commenting on the speech of a Harvard professor who told the American Chemical Society 'how wonderful it would be if chemistry were exploited to the full'. The article admitted: 'No doubt discoveries and inventions are not always applied or introduced as rapidly as they might be.' Yet, American conditions being what they are, it continued: 'It is not easy to determine how rapidly innovations can be absorbed without upsetting the whole economy. . . . Political and economic difficulties must be disposed of before we can enter this chemical dream world. The removal of all such obstacles would be possible only in a totalitarian state that relies on planning and that decides what is and what is not good for society. Here we clash with democratic ideals.'

But is governmental planning for economic and social progress really less in harmony with democratic ideals than a system that leaves it to Big Business to decide 'what is and what is not good for society'?

* * *

The peacetime use of atomic fission is only one of the many elements in the utopian vistas of coming happiness which are so popular in America; and many of them might be well on the way to becoming real blessings if corporate power were not forced to retard innovations that might upset its precarious economic order.

'Hundreds of amazing technological developments resulting from the demands of war soon will be converted to peacetime uses that will simplify many household and farm tasks, eliminate health hazards [and] materially reduce the cost of living', Senator Harley M. Kilgore announced in November 1945. General David Sarnoff, President of the Radio Corporation of America, in October 1946, foresaw 'push button weather control to provide rain or shine at will, nuclear power to change deserts to gardens, radio mail delivery, and communication sets for individuals for immediate contact with persons throughout the world'; a promise on which he improved during the Korean war with the assurance that television would soon bring 'real war', by direct transmission from the front, into the living room of every American family.

'Increases in output, immediately obtainable by installing new machinery, range from a minimum of 10 per cent to such large amounts as 500 per cent, but a conservative average increase is $33\frac{1}{3}$ per cent', the president of the National Machine Tool Builders' Association stated in November 1947. In July 1948, its general manager declared that 'American industry could increase its output 50 per cent by studying its weak points and by replacing the equipment which can no longer compete with what the equipment machine tool builders are putting out today'.

'The Oxygen Age Is Just Ahead', a writer in the *Saturday Evening Post* predicted in September 1947. This 'unpublicized industrial revolution' promised 'cities without the umbrella of smoke that hangs over industrial America . . . endless cheap fertilizer to make worn-out rural areas bloom again . . . an enormously increased output of scarce steel without building a single new blast furnace . . . an endless supply of gasoline and other liquid fuels. . . '

'Sea Soon May Yield Great Food Stores', reported the *New York Times* on June 21, 1948. 'Man is now on the eve of one of the greatest achievements in his history—the creation of food in amounts sufficient to provide an adequate diet for the world's entire population.' For new discoveries make it possible to 'train sea plants as well as inedible land plants to produce all manner of vital foods—proteins and fats, starches and sugars, vitamins and amino-acids . . . in whatever quantities are necessary, . . . at little cost'. Even without taking recourse to the sea, Louis Bromfield said on October 19, 1947, merely by improving the methods of its 'wretched and wasteful agriculture, . . . the United States can provide food at existing dietary levels for five times the nation's present population on land now under cultivation'.

'U.S. Seeks To Harness Sun', the *New York Times* reported on August 26, 1949 about plans to utilize solar energy for increasing food production and supplying heat. 'Big Windmills May Beat Atom To Power Field', the *New York Herald Tribune* announced on February 9, 1947: 'A recent report of the Federal Power Commission envisions giant aerogenerators or wind turbines . . . [which] may even precede atomic energy as our next great source of electricity.'

The 'mechanical brain', hailed by reports from Washington as promising a 'faultlessly working Electronic War Production Board' for the next war, would meanwhile 'translate sonnets . . . compute salaries, forecast weather, solve social and economic problems, make hitherto impossible checks on scientific theories, and perhaps even replace a minor human executive'. (*Associated Press*, July 1, 1949.)

If Americans only awaited the fulfillment of 'The Promise Of The Next 100 Years', made by Harold G. Moulton of the Brookings Institution in *Fortune* magazine in 1949, they would find that 'by 2049 "regulated" free enterprise could satisfy the wants of 300 million Americans (twice as many as there are now) living eight times higher than their great-grandparents'. Even if they waited merely until 2000 A.D., they might see the prediction of Seymour E. Harris, another well-known economist, come true: that, 'within another 55 years, the U.S. production machine will be able to fill the country's needs by working employees only 20 hours a week, 35 weeks a year'.

But American reality still looks sadly different from the promised land of technological utopia, as the next chapters will show.

Even the Government's modest 'goal of annual progress' has not been reached. 'In the Economic Message in January I said we should strive for a 3 or 4 per cent increase in output this year if we were to maintain maximum production and employment', President Truman reminded his listeners in a radio address on July 14, 1949. 'Instead, we have fallen somewhat below last year's level.' This 'somewhat' meant a drop in the physical volume of industrial production from its post-war peak by no less than 17 per cent.

The people's benefits from the peacetime use of atomic energy still were trifling six years after Hiroshima. Private industry was extremely slow to take an interest in it. It even showed reluctance to initiate in its plants a wide use of radio-active isotopes, easily available from the Atomic Energy Commission, according to a prominent chemist quoted by the *New York Herald Tribune* of February 4, 1949. 'In spite of the predicted wonders of radio-active tracer techniques less than one per cent of the A.E.C.'s shipments of isotopes went to industry'; for business is 'worried because competitive secrecy might be lost, due to A.E.C. requirements that research advances with isotopes be made public'. Only the rubber concern B.F. Goodrich, according to *Business Week* of June 17, 1950, mustered the courage of pioneering in—radio-active golf balls which, if lost on the course, 'you can find with a Geiger-Mueller counter'.

As to the use of solar energy, some practical development was reported from the Soviet Union. 'The news that the Russians are installing helioboilers on a large scale for power plants has vital significance, for it is part of a pattern', stated a letter to the *New York Times*, whose author claimed to be connected with the invention. Today it is Russia that hastens the development of every new discovery. . . . If we may judge by the helioboiler, the Russians will soon lead the world in the practical application of the new force for every purpose while we wrangle about government or private supervision and sink deeper and deeper into the sad conflict of mutual greed now being staged by capital, labour and politics. The time is short and the whole future of democracy is at stake. Shall we fail again?'

It is true that certain industrial materials, machinery and processes have been considerably improved since the war, that there has been a good deal of new development in various fields, and that many Americans now enjoy television (they even watched an experimental atom bomb explode in Nevada in April 1952), electric dishwashers and deep freezers for the long-term storage of food reserves—not to forget new gadgets like the 'atomic-ray detector for the man-in-the-street . . . "Cutie Pie" . . . resembling an outsized flashlight'; the 'automatic rocker' which 'starts rocking at the push of a button, singing baby to sleep with an electric phonograph connected to a motor' with 'a lullaby recording of the mother's own voice'; and the new device of 'sky-typing that takes the place of sky-writing', spelling words like Pepsi Cola in the blue skies over New York in neatly typed smoke puffs instead of the familiar, clumsily 'handwritten' letters.

On the whole, however, the peacetime harvest from technological and scientific developments has been disappointingly small, compared with the nation's capacity for them.

As to the equipment of the American economy, its unfilled needs have remained astonishingly great. According to Professor Sumner H. Slichter of Harvard University (*Fortune* magazine, February, 1949), industry then needed '$70 billion more plant than we have', a backlog which even the stimulus to the installation of new equipment provided by the post-Korean armament boom cannot possibly overcome for years. For even the record construction of the second world war did not nearly make good the lag of the depression years. 'If we had built new industrial facilities during 1930-48 at the rate we did in the prosperous '20's, we would have spent at least $100 billion more than actually we did', wrote the president of the McGraw-Hill Publishing Company in one of his 'public service' advertisements on October 30, 1948.

The backlog of urgently needed public works, like highways, schools, sewers, waterworks, hospitals, and other utilities, is even greater. The Government economist Dr. E. J. Howenstine estimated it at $120 billion; and the *New York Times* of July 5, 1948 called this a 'simply staggering cost estimate of work that must be done before the nation can be considered to have met its minimum public works needs'. The American Public Health Association received a report in November 1948 that 'almost 6,000 communities in the United States have no public waterworks system; more than 9,000 communities need sewerage systems; and 33 million people in rural areas lack satisfactory sewerage or excreta disposal facilities of even the simplest types'. The chairman of the National Security Resources Board stated on May 6, 1948 that 'national defense and the urban and rural economic existence are threatened through failure to provide adequate roads'.

* * *

The facts on the post-war performance of American industrial production as a whole are even more surprising.

The total output of consumers' and other 'non-durable' goods in the booming peacetime years of 1947-8 was still 5 per cent below the highest war production level of September 1943, which had naturally been much below peak capacity on account of the raw material and manpower shortages of wartime. In 1949, those 'light' industries further lowered their output by 4 per cent. By June 1950, before the Korean war, their output again reached the peak of 1943; but since the population had in the meantime increased by 11 per cent, production per capita was that much lower than seven years before. Early in 1952, when the new armament boom was in full swing, the 'light' industries still turned out one-tenth less per head of the population than at the height of the second world war. Yet, even so, they were suffering from an increasing lack of effective demand and considerable unemployment.

The industries that make 'durable goods' for consumers and especially for the renewal and expansion of the nation's productive equipment, operated on an average 40 per cent below the war peak during 1947-8. 'Equipment Output Reduced 20 to 70%—Survey Of Seven Major Lines Shows Two Of Three Plants Are Under Retrenchment', read a typical headline in the *New York Times* in March 1948. The *Wall Street Journal* reported six months later: 'Machine Tool Industry Operating At Half Of Capacity'. In 1949 the output of the entire 'durable goods' industries was reduced another one-tenth. Even after the enormous spurt that followed the Korean war, by February 1952, their production was still one-quarter lower than eight years before, or one-third lower per head of the nation's population.

Altogether, American industries turned out 20 per cent fewer goods during the average of the first six post-war years than during the war years of 1943-4.

The physical volume of America's total output of farm products, industrial goods and services, per head of the population, has remained below the level of the wartime year of 1944 throughout the post-war period; by 14.4. per cent during the most nearly normal peace years of 1947-8; by 15.2 per cent in the recession year of 1949; by 10.3 per cent in 1950, when the great new armament boom began; and still by 5.2 per cent in 1951, when one-sixth of all the nation's products were absorbed for Cold War use.*

'In a world where our strength and institutions are being closely compared with those of Russia', Professor Sumner H. Slichter wrote in the *Atlantic Monthly* of June 1950, 'a steady and substantial rise in output is the best answer the United States can give to those who question its strength or the merits of its economy'.

America has been unable to give this answer—because, once again, her economic order has found no sufficient stimulus in peace for the full use of her tremendous productive capacities.

* From official data in *National Income, 1951 Edition*, and *Survey of Current Business*; both by U.S. Department of Commerce, Washington.

IX Too Little—but Too Much

'There is little doubt that, if the nutritional level of our country can be raised to the point of an adequate diet for all, we would consume every pound of food our farms can produce.'

Committee on Agriculture,
House of Representatives
August 18, 1947.

'Bumper crop: Signal of Trouble'

U.S. News & World Report
February 24, 1950.

WHILE AMERICANS PRODUCE SO MUCH LESS THAN THEY MIGHT and would, they still produce more than they can buy. And while there is too little food, too little clothing and too little of everything else for millions of them, there always seems to be too much, there is always more than farmers and manufacturers can sell.

Americans need at least one-half more food than they are able to buy, if everyone is to have adequate nourishment; and still much more if everyone is to have the really good and well-balanced diet the nation has come to consider normal. For, even in the United States, people are 'still dying from the effects of nutritional deficiency', the Federal Security Administrator reported to the President in 1948; and in many more 'the widespread effect of inadequate diets' is 'evident in poor resistance to disease'.

Yet there is always dread of calamity when bumper crops ripen in the fields. Speculators and farmers fear that prices will break. Government fears it may have to spend still more buying up surpluses to avoid disaster in the markets. And there are signs of relief at reassuring news from Washington like this, of July 7, 1949: 'The weatherman and crop-destroying bugs appear to be teaming up to prevent the price-depressing grain surplus which seemed inevitable only a few weeks ago'; or, 'the big wind that hit the Corn Belt may have saved a lot of people a lot of headaches. It lopped about 125 million bushels off this year's harvest.' (*Business Week*, November 19, 1949.)

Too little, but too much: those remain the two sides of the nation's food problem.

'We pride ourselves on being the best-fed nation in the world', Fred Bailey, executive director of National Agricultural Research, Inc., 'one of America's leading authorities on the nation's food supply', wrote in an article, 'We Feed Our Hogs Better Than Our Children', in the *American Magazine* of October 1947. 'This is a smug assertion which is not borne out by the facts. In consumption of milk and milk products, one of the essentials of good diet, we rank thirteenth among the nations. . . . In the consumption of meats, another essential of good diet, we rank sixth. . . . In protein consumption, animal and vegetable, America ranks in twelfth place, along with Soviet Russia, Manchuria and Sweden. . . .

'Selective service figures showed that 3.2 per cent of the registrants had specific nutritional defects, such as beriberi, scurvy, pellagra, rickets, night blindness, or were seriously underweight . . . 43 per cent of registrants had defects of eyes, teeth, blood vessels, and other ailments partly traceable to nutritional deficiency.'

'Three-fourths of the nation's children suffer from undernourishment', a study of Pennsylvania State College established according to *Associated Press* on December 29, 1950.

The 'average American' is supposed to eat about 4 pounds of food a day, according to government statistics. But that figure does not tell what or how much of various foods any given social group actually eats. It refers to 'apparent consumption' or 'food disappearance' from the nation's farms and is greatly inflated by waste on the way from farm to stomach; for waste amounts to 'about 25 per cent of the nation's total food supply', the U.S. Department of Agriculture stated on May 25, 1946.

Moreover, this average includes people who over eat and others who do not get enough. On the one hand, men and women like the rotund glutton in front of a laden dinner table on magazine advertisements of the Metropolitan Life Insurance Company with the caption 'Lengthening His Waistline—Shortening His Lifeline' who, 'like one out of every four people in our country today, weighs more than he should' and who alarm the life insurance companies because they will probably die before their time. On the other hand the average includes that one-third of the population which Senator Ralph Flanders, referring to rich New York City in September 1947, called 'drastically affected by the high food costs'.

The differences even in quantitative food consumption have always been great in America. In 1941, the last time the U.S. Department of Agriculture published a study on the subject, 'average' consumption ranged from barely 2.7 pounds a day among the one-fifth of the nation in the lowest income group to 5.7 pounds a day among the highest-earning one-twentieth of the people. But the well-to-do eat not only over twice as much in quantity as the poor; they eat much more than twice as well in terms of essential and beneficial foodstuffs. The Government study found that they consumed 3.6 times as much meat, poultry and fish; 2.8 times as much milk, cheese and other dairy products; 4 times more fresh vegetables; 7.5 times as many vitamin-rich citrus fruits and tomatoes; and 2.1 times as many eggs.

These differences of pre-war times have not become less marked. Despite record harvests, the 'nutrients available for civilian consumption per person per day' increased only a little in some respects and actually fell off in others since 1941, as shown by the Joint Committee on the Economic Report in 1949. While 1.1 per cent more protein became available since then for the 'average' American and 4.6 per cent more Vitamin A, of food energy by calories there is 1.8 per cent less, of carbohydrates 1.7 per cent less, and of fats 2.8 per cent less. The cost of food has more than doubled since 1941, and many of the low incomes have lagged behind the upsurge of the cost of living; so that the difference in food consumption between the well-to-do and poor may well have become even more pronounced.

* * *

A Congressional investigation of the post-war plight of millions of Americans showed the extent of undernourishment. 'Approximately 2,500,000 residents of New York City—not to mention persons in other congested high price areas throughout the nation—face undernourishment and deficiency diets because of the inflated costs of food', wrote the *Christian Science Monitor* on September 26, 1947. 'This is the grim, the outstanding evidence, produced by the four-day hearing on food prices conducted by the eastern sub-committee of a joint Congressional committee.'

The State Health Co New there are sig York State, in 1948, reported some details a nutrition survey f July 7, 1949 ey. On expectant mothers: 'The food eaten by the dai teaming up to daily amounts of milk and other protein foods and fruits and vegetables recommended for optimal health. Only 21 per cent received the recommended daily 80 grams of protein, most important single factor in their diets . . . 39 per cent did not get enough Vitamin C. . . . 11 per cent received no milk at all . . . only 22 per cent had the recommended quart a day. . . .' And on industrial workers: 'The intake of citrus fruits and tomatoes, the richer sources of Vitamin C, was poor in both men and women. . . . 62 per cent of the men (and 61 per cent of the women) ate none of these foods. . . .'

'One-third of the city's babies, born and unborn, suffer from malnutrition as the result of high prices', the Rt. Rev. Charles K. Gilbert, Bishop of the Episcopal Diocese of New York, told the Congressional Committee. (*New York World Telegram*, September 25, 1947). And about the ministers of his own church: 'they are unable to buy sufficient food and clothing for their families'.

It is not only in the big cities that so many have been suffering in the midst of post-war prosperity. 'A substantial part of the urban population of the country is finding it difficult or impossible to make ends meet', the Joint Committee stated. Its journey 'revealed that our high general average of production and consumption is unequally distributed. . . . There was no region in which this condition was not found to an extent that made it a matter of real concern. . . .'

About a much-quoted prosperity symptom, the great increase in the nation's total meat consumption, the Committee reported: 'Whereas the Nation as a whole has been consuming 30 pounds per capita per year more than at any other recent period of its history, that had no bearing whatever on the difficulties encountered in the low income groups. . . . The urban low income groups appear to us to be getting less than is commonly considered necessary for health and growth, particularly of the children.' On January 4, 1952, the U.S. Department of Agriculture stated that during 1951 Americans 'ate less meat than in any of the past nine years', including those of the war.

Food prices are much too high, the Committee found. But whose fault is it? The farmers? Of every dollar the consumer spends on food, the farmer gets only about 54 cents, while most of the other 46 cents go to the food processors and retailers. The farmers' share is indeed 10 cents larger than it was in 1941 and 14 cents larger than during the thirties; but the farmers cannot be blamed for trying to make up for the desperately lean times they had during, and actually long before, the Great Depression. Even now, the average per capita income of farm families is only about one-half as high as that of the average non-farm family, while during the depression it was only one-quarter of the non-farm family's income.

Most of the blame lies with the food processing industries through which the bulk of all grain, meat, dairy products and most other food, expensively advertised and packaged, passes to the consumer's table. The profits of these predominantly large corporations, the Joint Committee reported, rose 212 per cent since before the war.

The combined profits of the seven giant dairy companies with their near-monopoly positions in many big cities went up from 12.5 per cent of their capital assets before the war to 29.0 per cent in 1946. Those of the eight meat-packing giants rose from 6.9 per cent to 21.0 per cent. The fourteen other mammoth food-processing corporations, mainly bakery concerns, increased their profits from 15.8 per cent to 27.6 per cent. From 1946 to 1947 the profits of the food processors rose another one-third. But 1947 was the year when the Rt. Rev. Bishop Gilbert of New York, having warned of the malnutrition of one-third of New York's babies, told the Joint Committee: 'We have to find a way to encourage full-scale production, and if high profits interfere I believe in all fairness something should be done about it.'

The great food distribution chains, too, bear a large share of the blame for high prices. Eight of them raised their profits from 12.9 per cent in 1940 to 29.7 per cent in 1946. With their annual sales volume of well over $4 billion, they control over one-sixth of the nation's total retail food business, and an even larger share in many densely populated regions.

Prices and profits have continued to rise since then. Many people have been forced to buy less food in the late forties and early fifties than in the peak consumption year of 1946. And when Washington, under the anti-trust laws, began to prosecute the foremost retail chain, the Great Atlantic and Pacific Tea Company—'an industrial giant that some people consider a shining monument to the uniquely American institution of free enterprise and others as a monopolistic octopus which has achieved unparalleled power by crushing its competitors in ruthless disregard of the anti-trust laws' (*New York Times*, December 11, 1949) there was little hope of the Government winning its case. For Big Business mobilized its publicity apparatus in protection of the concern, echoing the spokesman of 'A & P' who declared that 'this action is a threat to the welfare and living standards of every American citizen'.

Congress took no action to live up to the truth it had put on the statute book in the Research and Marketing Act of 1946—that 'the expansion of consumption, rather than the limitation of production, is the basic answer to our problems'. Nor did it act on the findings its Committee on Agriculture announced on August 18, 1947: 'there is little doubt that, if the nutritional level of our economy can be raised to the point of an adequate diet for all, we would consume every pound of food our farms can produce'.

Congress preferred to accept the strangely incongruous afterthought with which this Committee followed up its own challenging words: 'That goal cannot be achieved overnight, and in the meantime the consumers and the producers of food . . . are faced with the realities of existing problems . . . gearing our immediate post-war agricultural production to the somewhat reduced post-war consumption level in the country. . . .'

The hearings that followed led to nothing—except the strongest possible reaffirmation of the facts that both the capacities of American food production and the needs of American consumers are still unlimited. Some expert witnesses stated that 'production could be increased to two or three times the wartime level'. And the Committee observed in its report that 'Americans have demonstrated an appetite for meat, eggs, fruits, dairy products and other wholesome foods that completely disregarded all previous conceptions of what they ought to want (so that) at the present time the only answer seems to be that no one knows how much food the American people will consume if they have the money to buy it. . . '

By 1949 the cry in the markets was once more: 'Too much food ahead', as *U.S. News & World Report* entitled an article on May 6 about the problem 'of an output of farm products greater than the market can absorb at what is regarded as a fair level of prices'. And again on August 19, 1949: 'Farm problem is getting bigger. U.S. is unable to eat up, sell or give away all the food being produced.'

Things did not change from the pre-war depression days when Lincoln Steffens, the great social reformer, wrote: 'Think of a civilization in which a good crop of breadstuff is bad news.'

* * *

Another familiar aspect of the dilemma Too Little But Too Much has returned to the American scene: here and there food has been destroyed, as in the depression, while starvation reigns in many countries and millions of American citizens remain undernourished.

Milk was poured away because so many families did not have the money to buy it. 'A distressing phenomenon of the milk situation was the actual destruction at various times and at various places of some surplus supply of milk', the Joint Committee reported about its investigation into the high prices of food in 1948.

Potatoes were destroyed while science developed new methods of growing larger potato harvests. 'Twenty million bushels of potatoes in the United States were left in the ground last year to rot or were otherwise destroyed', the *New York Herald Tribune* wrote on August 6, 1947—a few weeks after it reported about new potential blessings for a food-hungry world in the form of pest controls: 'Two new chemical compounds are expected to increase this year's potato crop, despite current acreage reductions.'

In 1950, Secretary of Agriculture Charles Brannan 'authorized the "dumping" of up to 40,000,000 bushels of surplus potatoes which the government will be forced to buy to support prices . . . the biggest food-dumping program since the depression of the 1930's' (*United Press*, February 6). 'Mr Brannan promised that the government "will not allow" potatoes to be stacked up, doused with gasoline and destroyed outright. But he admitted there was nothing to keep the farmer or dealer from leaving them to rot. He said the government will spend about $8 million for potatoes this year, even with the dumping program.' However, to give them free to people who need them but cannot buy more at the disproportionately high prices charged by the retail trade would be too expensive. 'If the government were forced to deliver them to people who would accept them free ... it would cost another $20 million.'

Vegetables were destroyed since wholesale prices were much too low to make it worthwhile for the farmers to harvest them, and retail prices much too high for the housewives to buy more. 'Jersey Farmers Plough Under Vegetables While New Yorkers Pay "Scarcity" Prices', read a typical headline in July 1947. 'Wayne County growers are dumping about 100,000 crates of celery with a retail value of at least $600,000 because prices offered to farmers are below cost' (*Associated Press*, January 10, 1948). 'Because of a glutted market, tons of vegetables were recently burned in Cleveland, and the poor carried some away' (*Detroit Free Press*, September 2, 1948).

Citrus fruit was destroyed by the hundreds of millions while expecting mothers, children and workers were suffering a dangerous shortage of vitamin C. 'Wasted grapefruit may total six million boxes this year', wrote the *Wall Street Journal* on May 18, 1948, 'an estimated four million boxes were left unpicked last season'. 'Nearly half the children in Florida's richest fruit belt are short of Vitamin C, health officers report', read an *Associated Press* message on August 14, 1951.

So it has been going on year after year. How to prevent the farmers from producing too much, how to make them restrict their output more thoroughly has been one of the major domestic problems during the years that were supposed to secure peace through plenty.

'Food Surplus Looms As Post-War Worry', was a typical *New York Times* headline as early as January 6, 1946—side by side with reports about acute hunger in Europe, Asia and elsewhere—over an official warning of the U.S. Department of Agriculture that American farmers would be 'plagued with excess capacity, surplus supplies, and a persistent downward pressure on prices' if technological innovations 'continue to pour forth at the accelerated rate at which they have in recent years'.

The application of new technology to agriculture harms the economic order of America as blight and locust, drought and flood harm that of other nations; for, different from industry, agriculture is not controlled by a handful of monopolistic business corporations that can restrain the application of technological progress to production.

'Scientific farming is turning out to be too good', *U.S. News & World Report* wrote on January 7, 1949. 'Its success is increasing, not reducing, the farm problem. New methods, laboratory and field tested, mean richer soil, simpler cultivation, bigger and better harvests in most crops. Trouble is too much food. Big yields, science-induced, are to aggravate returning problems of farm surpluses. . . . What complicates the problem of surpluses even more is the fact that the new approach builds up the soil at the same time that it boosts yields.'

The big harvests had to be curbed more and more vigorously. 'Government Asks Farmers To Cut Wheat Plantings For 1949 By 8 Per Cent', reported the press on July 23, 1948. 'The Government today ordered sharp cuts in next year's corn and rice plantings (by 12.9 per cent and 13.7 per cent, respectively), in a move to prevent new surpluses' (*Associated Press*, December 30, 1949). 'Twenty Per Cent Cut Ordered In Cotton Acreage' (*United Press*, December 2, 1949). 'Keeping Farm Crops Down: Job That Baffles Planners' (*U.S. News & World Report*, December 23, 1949). 'Cut In Acreage Of U.S. Grains Of Little Help', wrote the *New York Herald Tribune* on January 9, 1950: 'Cognizant of the threat of additional surpluses of grains as well as other commodities, the government fixed the wheat acreage for 1950 at 68,900,000 acres, a reduction of around 17 per cent below the 1949 total.'

But even when the farmers were forced to do their bit to fight against 'too much food' and thus to help maintain the economic order through curtailing their output in harmony with the examples of steel and other basic industries, the subversive forces of sun and rain still might endanger the effort of Government. 'The farmers cooperated handsomely', the *New York Times* wrote on April 11, 1950, referring to acreage reductions, 'but it soon became apparent that nature was in no mood to follow suit. Growing conditions were so favorable in December. . . .' In this case at least, nature seemed to hear the prayers of those who feared plentiful harvests, and the paper was soon able to report: 'The remarkably favorable prospects with which the crop went into the winter, have, it appears, been largely nullified in recent weeks by dry weather, dust storms and insect damage which have ravaged the middle and south portions of the Great Plains. . . .'

Yet with all the destruction of food, the restrictions of acreage and the minor local damages from bad weather in the unusually long spell of favourable growing seasons that made America forget the possibility of another cycle of lean harvests, consumers did not benefit from what bounty nature was still permitted to bestow upon the country. Food prices have continued to rise and it has been Government policy to keep them high in order to secure the farm vote for the Democratic Party and to keep the generally curbed economy on an even keel. 'Because of the price-support activities, consumers will receive little in the way of price concessions ordinarily resulting from excessively large crop yields', the *New York Times* wrote on September 11, 1949. 'Instead, the excess supplies will be largely impounded by the Government and added to the already large stocks. . . .'

* * *

It is not surprising, therefore, that too little of the people's incomes is left for expenditures other than food, that only 12½ per cent of America's average family budget has been available for clothing in recent years—almost one-fifth less than at the height of the war, when clothing prices were kept low by Government controls.

Since the Great Depression the Government has published no comparative studies of what Americans in various income groups spend on clothing, housing, personal and medical care, recreation and so forth. But the nation's total deficiencies can be roughly calculated on the basis of the unfilled needs that existed at the time of the last official investigation in 1935-6, taking into account the increase that has since taken place in the population and in the total volume of available consumers' goods and services.

To make it possible for every family to attain 'modest but adequate' living standards, as defined by the Government, the nation as a whole would have to have each year: at least 45 per cent more clothing; 60 per cent more housing, furniture, etc.; 60 per cent more medical care; 70 per cent more means for private education; and 52 per cent more facilities for recreation. Moreover, those additional supplies would have to go exclusively to the poorest parts of the population.

For a close-up view of the deficiencies Americans have been suffering at the very time when production cuts and subsidized exports were necessary to prevent the accumulation of unsaleable surpluses there is an interesting official illustration: the U.S. Department of Labor's detailed account of the consumers' goods and services required for a model 'City Worker's Family Budget' that would give a family of four the 'necessary minimum to meet the conventional and social as well as biological needs'.

This model budget may seem luxurious by many other nations' standards, but it is modest indeed by those of the world's richest country, and the following chapter will show that it goes beyond the means of half of the American people.

On clothing, this budget allows the father of the family an overcoat every 6 years and 8 months; a topcoat every 10 years, a raincoat every 12½ years, a sweater every 2 years and 10 months, a jacket every 5 years and 3 months, a wool suit every 2 years and 3 months, and so on. His wife should get a felt hat every 11 months and a straw hat, beret or head scarf each year; a heavy winter coat with some fur every 6 years and 3 months, and one without fur every 8 years and 4 months; a light coat every 4 years and 4 months; a raincoat every 100 years (the budget provides for '0.01 piece per year'); a woollen sweater every 2 years and 8 months and a cotton sweater every 16 years and 8 months; a wool suit every 9 years, a wool dress every 5 years and 7 months, four cheap dresses or house dresses of cotton or rayon a year; a bathrobe every 20 years, etc. The clothing budgets for son and daughter are on a similar scale.

The home furnishings budget allows for one-seventeenth each year of the purchase price of the following cheap household equipment: a living room 'davenport' set of two chairs and one sofa, two ordinary chairs, a table, desk and bookcase; a bedroom set with bed, chest and dresser, an extra chest, extra bed, bedspring and cot; a kitchen with 'dinette' set, an extra chair, kitchen table and cabinet.

Of other 'durable goods' the family should be able to buy a cooking stove, refrigerator and vacuum cleaner every 16 years and 7 months, a washing machine every 14 years, ironing and sewing machines every century ('0.01 per year'), a lamp every 5 years, an electric fan every 33 years, an electric toaster every 25 years.

The family's recreational expenses are to provide for a daily newspaper and 32 magazines a year, presumably cheap 'comics'; one book a year, one cinema visit every three weeks for the parents and daughter and every two weeks for the son; one ticket a year for each family member for 'plays, concerts or sports events', and the purchase of a radio set every 9 years.

There is no provision for vacations. The family is supposed to buy 9 cigarettes a day (the national average for two adults is 22 cigarettes actually bought each day). One telephone call every third day and a stamp for a 3-cent letter every sixth day round off 'miscellaneous' expenses.

The health budget for the family of four permits 4 annual doctor's calls at their home and 11 at his office, a minor surgical operation every 3 years, one day's nursing service per year, 1 tooth extraction and 4 fillings a year, a total of 3 doctor's prescriptions a year, and the equivalent of twenty-four cigarettes' worth a week, $0.24, for the family's 'drugs and medical supplies'.

The 'personal care' budget, finally, allows the husband a haircut every 25 days, a razor and shaving brush every 5 years, a razor blade every 9 days, shaving soap every 10 weeks; and the wife a haircut every 3 months, a 'finger wave' every 18 weeks, a 'permanent' every 20 months, one box of face powder and one jar of cold cream a year, a rouge compact every 2 years, one 'small' lipstick a year, a bottle of hand lotion every 5 years, one bottle of nail polish a year, a jar of deodorant ('don't be half safe', the advertisements warn) every 8 months; and for the entire family one cake of soap every 5½ days, a tube of toothpaste every 5 weeks, one toothbrush each every 8 months, a comb a year and one hairbrush every 2 years.

Yet this official 'model' budget, out of the reach of half of all American households, was scarcely a realistic estimate of what a family with an income of $3,200 a year could actually have afforded to buy in 1948, when the Department of Labor calculated the underlying cost. The goods it took into account were predominantly of inferior quality and the budgeted prices lower than in most stores. Moreover, it assumed a degree of spartan budgeting discipline that cannot be expected from most American families in an atmosphere of relentless advertising pressure for much unnecessary and unbudgeted spending; of gambling that takes at least $15 billion, as much as the nation's annual housing bill; and of drinking, at the rate of $9 billion worth of alcohol a year, as much as the nation's total clothing bill.

* * *

It is true that the United States has 105 million wireless receivers and some 40 million motor cars (three-quarters of them needed to connect farms with distant markets, take salesmen on their rounds, and get people to and from their work and shopping for lack of other transport), 25 million refrigerators, 18 million vacuum cleaners and probably as many washing machines—in each case more than exist in the rest of the world.

Yet the wondrous thing about the United States is not the large volume of goods the people produce and own. It is the infinitely greater volume they might produce and enjoy. For nowhere on earth is there another nation that has such possibilities of raising its production of food and everything else so much, so easily, so soon—but that actually restricts its production so much.

To increase the output of food two- or three-fold, as America well might, other nations which can and do aspire at such aims must first spend years on the education of their farmers in modern agricultural methods, clear, drain or irrigate fresh land and link it to the cities by new roads and railways, and endure enormous sacrifices to produce or import the necessary farm equipment.

To multiply their output of consumers' goods, as it is within the possibility of America, other nations must first save or borrow, pull in their belts and do very much without for decades or even a generation or two, while they set up the industries to make all the production equipment they need and while they must spare much of their goods for export, to pay for what they need from abroad for such development work.

Only the United States could do away with her poverty and want in a matter of years and without harsh sacrifice—merely by giving her economy the go-ahead signal for unlimited production on all the ready land, in all the mines and factories, with all the hands, machines and techniques that are waiting to supply the many millions of needy consumers.

That this has not been done—that it is in fact being prevented by corporate and government power—makes America's record of production and consumption so condemnatory of her economic order—enviable though her actual output may appear to less fortunate nations in Asia, Latin America, Africa and Europe.

X The Income Pyramid

'One-third of all the families in the United States received incomes under $2,000. . . . The low-income families have been left behind in the economic progress of America.

'They are a powerful instrument for the fomentation of political movements which seek to destroy our way of life.'

Congressional Subcommittee on Low-Income Families
November 9, 1949.

THE UNITED STATES, AS A WHOLE, HAS NEVER BEEN SO prosperous in peacetime as in the late forties and early fifties. Yet the real income of the 'average American' has remained below its war peak.

This may seem surprising in view of the enormous post-war growth of America's national income pyramid. It stood at $183 billion at the climax of the war, in 1944. By 1947 it reached almost $200 billion, nearly as much as the combined incomes of all other nations on earth. By 1948 it was $223 billion. In 1949, at $217 billion, it still equalled two-fifths of the aggregate of a world that had practically recovered from the war, or the combined incomes of all Western Europe, the British Commonwealth, all of Asia, Africa and South America. It rose further, to $239 billion in 1950 and $276 billion in 1951.

But the dollar bricks that went into the income pyramid in post-war years have been brittle with inflation, corroded by high prices. By 1951, the price level was 70 per cent above that of 1944. Also, many more people have come to work or depend on it and to demand their share in the national income: from 1944 to 1951, the population of the United States rose by over 11 per cent.

In 1948, the best of the almost-peace years, the real income of the 'average American', in terms of food, shelter, clothing and all his other needs and comforts was therefore in fact 6½ per cent below that of 1944. In 1949, it fell nearly 8 per cent below the wartime record. In the years 1950, 1951 and early in 1952, when huge armaments once more made the wheels turn faster, it gradually approached the level of 1944. By 1953, if the armament boom continued to grow, it might at last regain the wartime height of nine years before.*

* Report No. 1295, Joint Committee on the Economic Report, March 12, 1952.

'Average Americans', of course, are people from multi-millionaires to paupers, for incomes in the United States are very unevenly distributed.

To the upper tenth of Americans, during the late forties, went 32 per cent of all incomes, while the lowest tenth got only 1 per cent. The upper fifth got 47 per cent, while the lowest fifth got only 4 per cent.

One-half of all families earned less than they needed for the 'modest but adequate standard of living' considered by the U.S. Department of Labor as the 'necessary minimum to meet the conventional and social as well as biological needs'.

Another 37 or 38 out of every 100 families earned that minimum or somewhat more.

A mere 12 or 13 out of every 100 families had what the U.S. Treasury and President Truman defined as 'middle class' incomes.

And the rich and really well-off were 1 in every 700 families.

* * *

At the apex of the national income pyramid, during those years, was an unknown Mr X. Until five others later joined him, he alone occupied the highest income bracket in the Treasury's tax accounts for citizens with '$5 million a year and over'. He earned $8,595,000 in 'dividends and interest' and was assessed on an adjusted gross income of $7,617,000—as much as the combined salaries of 12,200 of the lowest paid school teachers in the country.

Beneath Mr X and the five newcomers have been some 80 equally unknown Americans with declared incomes from $1 to 5 million. Then followed some 1,400 persons with $250,000 to $1 million a year, and some 9,000 with $100,000 to $250,000. Some of their names got known through the routine disclosure of the salaries of corporation officials with incomes of over $75,000 a year.

The highest salaries have been those of film magnates like Charles P. Skouras, the movie theatre operator, with $810,000 a year, Louis B. Mayer of Loew's with $908,000, and the Paramount producer Leo McCarey with $1,038,035.

Screen stars flit in and out of the U.S. Treasury's Who's Who in the High Salary Brackets, according to the public's favour and the movie industry's financial ups and downs. Rubbing shoulders with them are the stars of super-salesmanship who dwell in these spheres with little more permanence than the film favourites: Benjamin S. Katz of the Gruen Watch Company ($120,295) and Rita Hayworth ($117,000); Archie O. Joslin, a textile executive ($296,880) and Betty

Grable ($299,300); E. H. Bobst of the chemical concern Hoffman La Roche ($308,175) and Deanna Durbin ($326, 491).

But the great majority of those record earners are the solid aristocracy of the Corporation Age. What the official lists show are only their salaries and bonuses, without the large 'expense accounts', their many other benefits like company-paid life insurances and pension provisions and non-salary earnings from personal property and speculation.

Charles E. Wilson, president of the du Pont subsidiary General Motors, has received up to $652,126 a year in salary; and General Motors once showed a hierarchy of fifteen executives with salaries of $75,000 or more. Crawford H. Greenewalt, president of du Pont, has been getting up to $539,550 a year. Others in the highest group have been Vincent Riggio of American Tobacco ($484,202); Thomas J. Watson of International Business Machines ($425,548); Preston Sturges of Twentieth-Century Fox Films ($350,650); E. H. Little of Colgate-Palmolive-Peet ($350,000); A. A. Somerville, a Vanderbilt executive ($319,398;) Seton Porter of National Distillers ($310,000); Randolph Hearst, the late press magnate ($300,000); Benjamin Fairless of the U.S. Steel Corp. ($222,897).

These are some typical salaries large corporations pay their presidents: Bethlehem Steel, $464,321; Safeway Stores, $367,754; General Electric, $280,234; American Telephone and Telegraph, $209,000; Chase National Bank, $182,000; Montgomery Ward, the mail order house, $100,000; Radio Corporation of America, $137,000; Woolworth, the 'five and ten cent' chain store, $330,000; International Harvester, $131,549; Chrysler, $183,000.

In this group, like in that of Mr X and the 80-odd others with incomes of $1 million a year and over, a veil of secrecy conceals the names of the many 'regulars' who derive their great incomes from personal wealth rather than managerial position or passing success—the men who are nobody's employees and whose economic power is squarely founded on fortunes they have inherited or accumulated and on the financial controls they hold over corporate wealth.

Mr Harry S. Truman became the first President of the United States to join the record earners when his salary was raised far beyond that of his predecessors: to $100,000 a year plus a tax-free expense account of $90,000. With the other tax-free facilities of the White House, the Presidential income, according to a Congressional estimate, now corresponds to that of a private citizen earning $500,000.

These upper ten-thousand known and unknown Americans, the ones who rise and fall like meteors and those solidly entrenched in wealth and power, are at the klieglight-illumined pinnacle of the national income pyramid, that lofty beacon of opportunity, success and happiness that shines encouragingly over the American Way of Life. They are pictured in film and fiction as 'the boys who made good', men like yourself who only dreamed their dreams more efficiently, made them come true with harder work.

Below them, in the later forties, were 200,000 people with incomes from $25,000 to $100,000—the upper middle class. Together with the exclusive ten thousand at the top, these one-seventh-of-one per cent of all Americans hold most of the economic power in the country. They are largely corporation executives and other businessmen, landowners, and the lesser men and women of established fortune.

Cabinet members barely reach this grade with their government incomes alone, even after their salaries were increased from the long-standing $15,000 to $25,000 a year. But some of the labour leaders do. John L. Lewis, president of the United Mine Workers of America, earns $50,000 per year; James C. Petrillo, president of the Musicians' Union, $46,000; Daniel J. Tobin of the Teamsters' union, $30,000; Philip Murray, president of the C.I.O. and William Green, head of the American Federation of Labor, both earn $25,000.

Among professionals in the upper middle class are the top-ranking few physicians and 3 per cent of the lawyers; the majority of leading newspaper and magazine editors, columnists, radio and television executives and star performers, 'comics' designers and commercial artists; some popular best-selling authors, mostly of passing fame; a few sportsmen like Joe Di Maggio, whose baseball income (not including that from commercial use of his name) was estimated at $65,000 in 1948. But there are no educators, no academic scientists and no other scholars in this group, unless they also have private incomes.

The 'middle class' consists of one-eighth or so of the nation's families, by the definition of the U.S. Treasury which puts its income limits at $6,000 to $25,000. This middle class, so often assumed to be America, would make up barely one-tenth of the nation if one drew the lower line at $10,000, as President Truman seemed to suggest when he remarked at a press conference in January 1949 that 'a man getting $6,000 a year would probably consider $10,000 the start of the middle bracket'.

What can properly be called the middle class is actually even smaller than one-tenth of the nation. For most in this income group lack the financial stability generally considered as an essential middle class characteristic. Experience in the Great Depression showed how rapidly these ranks get decimated; and even during the minor slump of 1949 not a few of those who had climbed into the middle class during the war quickly dropped out of it again.

The core of the middle class, in the later forties, took in military officers with typical 'all-in' compensations of $13,400 for a major-general and $6,400 for a major; U.S. Senators and Congressmen with salaries of $12,000 plus $2,500 tax-free expense allowances; a good one-third of what the Federal Reserve Board in its annual income analyses calls the 'managerial and self-employed' class; 45 per cent of the lawyers; about two-thirds of the physicians and 48 per cent of the dentists; altogether about 25 per cent of the men and women in the professions as a whole, including all leading and many medium-ranking government officials. Also the upper 11 per cent of the farmers and farm managers, the group which provides the lion's share of all marketed crops; and some 7 per cent each among the clerical employees and sales personnel and the most highly skilled industrial workers.

Life in the lower reaches of the middle class is far from easy for many, considering the height of prices and taxes. A letter to the *New York Times* of January 24, 1949 showed the typical situation of the family of four of a college professor with 'a distinguished position in the world of learning' yet unable to 'afford to educate (both) his children or even any longer to buy the books that he needs to maintain his position'.

The professor 'receives $6,600 a year, which is a very good salary in his profession. Last year he paid $720 in Federal income tax and $60 to the State of New York. . . . The older [child] is in college, her bills running about $1,800 a year. In 1939 he made a downpayment of $2,000 (the whole of his savings) on a $10,000 house in the suburbs. He pays $400 a year plus interest. . . . Taxes on his home were about $250 a year when he bought; they are now about $400. He has a telephone and light and gas services, all of which cost $214. . . . He has a 1938 car, which is indispensable, for he lives two miles from the shopping centre. . . . His life is insured for $8,000 and the annual premium is $282. . . . He uses his car as little as possible, is considering the sacrifice of the telephone and has begun to quarrel with his wife by turning down the thermostat [on the heating system of the house] to save fuel oil. . . . His wife, who does all the washing, cleaning, mending and cooking, spends $120 a month on the table, or $1,440 for the year. Adding up all these expenses, mortgages, interest, fuel, car upkeep, etc., this leaves $13 for clothes for four, medical expenses, home repairs, the water bills, recreation and books—for professors, you know, are supposed to buy books. . . . He is unlikely to get an increase in salary, for he is already in the top bracket at his college. . . . He is without hope. . . .'

* * *

About 87 of every 100 families have their places on the income pyramid well below this level.

Of that great majority of Americans, 14 to 15 million families, or nearly two-fifths of all, have been in the lower middle class these years, with incomes ranging from $3,200 to $6,000 per annum. This group comprises another 16 per cent of the farmers, still leaving almost three-quarters of the farm population behind them; 37 per cent of the clerical and sales employees and 49 per cent of the skilled workers; 32 per cent of the lower managerial employees and small businessmen, 32 per cent of the lawyers, 17 per cent of the physicians, 30 per cent of the dentists; and the Army's master sergeants with total incomes of about $3,600. But of the teachers only the best-paid few belong even to this group, i.e., some principals and senior high school teachers in big cities.

The problems of the lower middle class are illustrated by some typical cases described by Lester Velie in *Collier's* magazine of April 3, 1948. One was that of James Scott, a school principal with $4,200 a year who served as a lieutenant in the Navy and 'learned how to live frugally'. But, 'since prices soared, food buying for the Scotts and their two children has become so serious a business that the head of the family must give it his personal, masculine attention. Thus the school principal, market basket under arm, saves a few pennies on a dozen eggs here, a penny or two on potatoes there.' Another case of 'doing without and running behind' was that of a bank teller, Sam J.: 'An employee for 11 years, Sam had to borrow $199 from his bank and cash his [war veteran's] terminal leave bond to eke out his $55 weekly earnings and pay for the insurance that protects his wife and two children. To make ends meet, Sam disclosed, about one-third of the tellers in his bank have taken extra jobs outside. They clerk in stores on Saturdays and evenings, work odd hours in filling stations. Sam hasn't looked for extra work because it would interfere with his night classes in banking. But his life is tyrannized by mean restrictions.'

Skilled industrial workers at the fringes of this category are no better off: 'The *Milwaukee Journal*', Velie continued, 'asked three wage-earning families with incomes ranging from $45 to $55 a week to keep track of their expenditures. . . . The newspaper found the families were running behind and using up bonds and other savings to care for deficits. "All in all", the *Journal* reported, "the three families felt they came through with an exceedingly dim view of the months ahead. . . . Take, for instance, Herman Steffes, a $1.68-an-hour welder and president of his United Automobile Workers (C.I.O.) local. . . . From 1938 to 1943 Herman earned $40 a week and with it bought and paid for a $4,400 house and saved $450 besides. Now with weekly earnings at $68, he has used up the $450 savings. Tom La Vora, a $50-a-week presser in a coat factory . . . who had to cut four quarts of milk weekly from his children's 14-quart allowance, put his plight this way: You never get off the spot. During the depression you eat less, because there ain't enough work. And during inflation you eat less, because there ain't enough money. How do you beat this thing anyway?"'

* * *

Above the dividing line of $3,200 a year, nearly half of all families are supposed to earn at least a 'modest but adequate standard of living'. For, expressed in terms of the cost of living of the late forties, the 'necessary minimum to meet the conventional and social as well as biological needs' of the U.S. Department of Labor required an income of $3,200 per year. (More realistic calculations of the Heller Committee for Social Research of the University of California actually put its cost about 12 per cent higher.)

Below that line, however, with incomes of less than $3,200 on which the other half of the American people have to live, only the smallest, healthiest and thriftiest families do not suffer want.

The upper layer of this 'other half'—those in merely straightened circumstances, with $2,000 to $3,200 a year—have numbered in recent years about one-fourth of the nation, or about 10 million families. To them belong 20 per cent of all professionals, 15 per cent of the 'managerial and self-employed', 33 per cent of the skilled workers, 34 per cent of the unskilled, 35 per cent of the clerical employees, 19 per cent of the farmers, 11 per cent of the lawyers, 6 per cent of the physicians, 18 per cent of the dentists and the better-off one-third of the teachers.

The lives of many families in this category are full of haunting material problems. One of the group, a taxidriver with $2,160 a year, described them in this letter to the President.

166 Forest Ave.,
Cincinnati, O.
July 26, 1947

Mr Harry S. Truman
President of the United States,
Washington, D.C.

Dear Mr Truman,

Listen to this, and then tell me what in the hell a guy in my shoes is supposed to do. I'm a cabdriver, with a limited education. I can add and subtract enough to get by. But I don't think there is a mathematician in the whole world that could make my debits and credits balance.

I am a married man with 2 children of grammar school age. On my job I work on a commission, and if I work very religiously and very hard and with a little bit of good luck I'll receive a $45 cheque.

My rent is $35 a month, groceries are $27, not counting these new higher prices; and that is being very conservative. My insurance for the family (only burial expense) is $7.50 a month. Telephone bill is $4.03, gas and electric is $6.50 a month. My hospital care is $5.60. My carfare to and from work is $4.80. My children must ride to and from school and for both of them the car fare is $8.

My total salary is $180 and my expenses are $179.43 for the month. Now this is mere existence, and this is saying nothing of clothes, shoes, school expenses, doctor and dentist bills, household necessities and other unexpected things that come up.

A year ago last April my wife had an operation that the surgeon charged $300; and that is without hospital expenses. . . .

The whole thing, Mr Truman, is where is the end to all this pressure? Is there an end? Can we expect a brighter future? Can we live as free people? Is there anything under Heaven to give us relief? What are our Cabinet and Senate, in fact our whole government (including our President) doing to make things better?

What in the hell have 80% of the people in the U.S. to live for? . . .

I'm only one of the million people that even venture as far as to write to you. The reason the rest don't write is they feel it won't do any good and you'll never receive the letters anyway. But I'm writing because I feel I must. I must have an outlet for my feelings.

I know the majority of the people feel as strongly about this as I do. I'll bet you my vote I'll never receive an answer or hear of this letter again.

Thank you.

A John Q. Public-American Citizen
(signed) Willford H. Roll

The taxidriver received an answer, from Dr Edwin G. Nourse, chairman of the President's Council of Economic Advisers:

Dear Mr Roll,

President Truman has asked me to reply to your letter of July 26. The first thing I want to say is that the President and all his chief advisers are acutely aware of the difficulties which are being faced by many American citizens in these times. Letters like yours prevent them from forgetting it, but they would not want to forget it if they could. They regard it as their first duty to do what they can to make this a good country to live in.

At the present time, there is one good thing and that is that practically everyone has a job.*

The backwash of the war has however had some unfortunate effects and I do not need to tell you that one of the worst of these is the great rise in prices. It hits people very hard whose incomes have not kept pace. It is the policy of this Administration to do whatever lies within its power to see that prices and incomes get into a new balance which will remove the inequities which have developed in the postwar situation. The Government is committed by the Employment Act of 1946 'to use all practicable means . . . to promote maximum employment, production, and purchasing power'.

The Government expects to do what it can to create prosperity and equitable opportunities to citizens.

But the well-being of American citizens is built mainly on their own enterprise, initiative, and integrity. It will take some time to work our way out of shortages, the high prices, and the general maladjustments left in the wake of war. To the rest of the world we already look very fortunate. At home, we see our troubles, and they are very real.

Still I think you will agree that in these times Americans must preserve their courage and faith. That is what they have always done, and they certainly have never sat down and waited for some one to look after them. My own office has no other duty than to attempt to make the economic system serve more adequately the needs of the American people. Let me repeat, in conclusion, that we go about this difficult assignment day by day with the acutest sense of the daily problems of people like yourself.

Sincerely yours,
(signed) Nourse,
Chairman, Council of Economic Advisers

* At that time (September, 1947), according to the U.S. Department of Labor, there were: 1,912,000 unemployed; 6,542,000 part-time workers; among

Below the level of taxi driver Roll, however, 'nearly 16 million, or one-third of all families in the United States receive incomes under $2,000', according to the 1949 report, *Low-income Families and Economic Stability* of the Joint Committee on the Economic Report.

Of these, 5.6 million families have incomes between $1,000 and $2,000. Among them are most of America's farmers, i.e., 53 per cent of all farm owners, tenants and 'managers'; nearly half of all unskilled workers, including many agricultural workers, whose wages average about half those paid in industry; 11 per cent of the skilled workers and 21 per cent of the 'white collar' clerical and sales personnel; 16 per cent of all 'managerial' employees and 'self-employed' small businessmen; 13 per cent of all professional and semi-professional workers, i.e., 4 or 5 per cent of the physicians, 21 per cent of the dentists, and the great majority of teachers.

'The average American schoolteacher receives $37 a week ($1,924 a year), rural teachers receive less than $30 a week ($1,560 a year), 200,000 teachers receive $25 a week ($1,300 a year) and 10,000 teachers receive $12 a week ($624 a year) or less', the Rev R. J. McCracken, the prominent pastor of New York's famous Riverside Church complained in his sermon on March 14, 1948.

One of the vast number of Americans in this income category, or actually somewhat above it, a man named Cyrus J. Wand, a 37-year-old worker in the Campbell Soup Company, has to support a family of eight on an income of some $2,500 a year. (A recruit of the U.S. Army or Navy, before the pay increase of 1952, received nearly $2,000, apart from food, clothing, etc.)

As representative of his union local, Mr Wand reported his own case to the Senate Banking Committee in January 1948, as an example of the combined effects of low wages and high prices.

'You fellows have got to help me out', he said to the Senators.

'Our job here is to have an understanding heart for human needs', Chairman Charles W. Tobey replied. 'Tell us what is in your heart.'

'A family of eight should have at least $6,000 a year', Wand replied. 'All we are getting is a little over $2,500. This is not a living wage. We are just existing.'

After he had told his story of the $33 monthly rent, the $16 monthly coal bill, the less-than-half-of-normal milk ration he managed for his six children, the movies which are out of reach for the family, and the

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them 3,988,000 who 'normally' had, and needed, full-time work; and several million potential job seekers who did not register because they knew there were no jobs for them and they were not entitled to unemployment benefits (see p. 218).

last suit of clothes he bought four years ago, he was submitted to a little 'loyalty test' by Senator Willis Robertson.

'Do you appreciate the freedom you enjoy in a democracy?'

'I appreciate it, I'm a 100 per cent American, but there's one freedom I haven't got, and you know what it is—that's what we are talking about right here.'

'There isn't a single Communist country which has a standard of living comparable to yours, difficult as your situation is. . . .' the Senator probed.

The witness made no comment.

Did Mr Wand have savings? 'We have $20 in a savings account, but it isn't ours. We owe about $300 for medical bills, doctors, the hospital, so it really belongs to them.'

What did Mr Wand think should be done? 'Back prices to 1946 levels', was his answer.

Whereupon Senator Homer E. Capehart, a manufacturer from Indiana, asked what the witness thought about 'rolling wages back, too. . . '

'We'd better be off', Wand said to his wife, loud enough for everybody in the Committee room to hear.

Then to the Senator: 'Can't you see I'm underfed?' And, pointing to Lois, one of the children he had brought along: 'She's not very well because she's undernourished.'

When the hearing was over, Chairman Tobey announced he had arranged for a car to take the Wand family around Washington to see the sights, and pressed a $5 bill into Lois' hand.

* * *

But the Wands are by no means the poorest in the United States.

'That a part of our population is both underproducing and underconsuming is well known, but the size, needs and economic circumstances of the low-income families in America have not been adequately appraised in recent years', stated the survey of the Joint Committee on the Economic Report, *Low-Income Families and Economic Stability*, on November 9, 1949.

It stressed that America has another 8 million families with annual incomes of less than $1,000. . . .

Since this vast group of low-income families—not only those below $1,000 but also those below $2,000 a year—are 'a powerful instrument for the fomentation of political movements which seek to destroy our way of life', the report continued, 'it is essential that this threat to our existence as a nation of free men and women be removed by bringing the majority of these low-income groups within our system of high employment, production, distribution and consumption'.

How is this to be done? And by what agency?

The report of the Congressional Committee evaded a reply, in evident recognition of the limits which the economic order of free enterprise sets to the men elected by the people.

'We wish to emphasize', it said, 'that the Federal Government cannot and ought not, unaided, try to carry out a successful attack on the causes of low income. . . . To bring the dependent and under-privileged into full participation in American life is a task which requires vigorous action on the part of all citizens.'

XI Death and the Dollar

'For all . . . the right to adequate medical care and the opportunity to achieve and enjoy good health.' (*From Roosevelt's 'Economic Bill of Rights'*)

'Thousands of ill and needy New Yorkers are being deprived of hospital care. . . . An estimated 10,000 persons with active tuberculosis are unable to get into hospitals because of lack of beds.'

New York Times
March 5, 1948.

ONE OUT OF EVERY FOUR AMERICANS WHO DIED IN THE prosperous post-war years might have lived. Not that American medicine, in many respects the world's best, has been unable to save the infants and young mothers, the boys and girls and men and women who did not fulfil their normal span of life. What has been killing them —at the rate of one every one-and-a-half minutes each day and night of every year—was poverty.

'Every year, over 325,000 die whom we have the knowledge and the skills to save. . . . Of more than 3,800 deaths that occur daily, nearly 900—about 23 per cent—are preventable', Oscar R. Ewing, the Federal Security Administrator, reported to President Truman in 1948, after the National Health Assembly had examined the great lack of medical care in the country. 'Much of the sickness that cuts down the efficiency of the Nation's working force can also be prevented. . . . Every year the Nation loses 4,300,000 man-years of work through bad health . . . and $27 billion in national wealth.'

There are as many deaths needlessly suffered each year as it would take to wipe out the population of Switzerland in fifteen, or that of Boston in a little over two years. It is as much labour wasted each year by illness as is normally at work in the entire Netherlands; or as much as America uses in all her huge mining, iron and steel, metal, machinery and automobile industries. It is as much wealth lost each year as is produced in the whole of India; or three times as much as Americans spend on medical care, burial expenses and the upkeep of cemeteries.

What leaves such an appalling health problem unsolved in the world's richest nation is of course not only, or even mainly, the surprising lack of proper medical treatment and public health care.

Deficient food and shelter and all the other unfilled needs that go with substandard incomes and with the almost inescapable publicity inducements to useless or even harmful spending are more basic reasons for so much illness and therefore for so many unnecessary deaths.

The close relationship between low earnings and poor health was already established before the war by the Public Health Service. Families with low incomes were found to suffer nearly four times as much disability from tuberculosis as those with middle class incomes, nearly three times as much from orthopaedic impairments, and twice as much from rheumatism, digestive diseases and nervous ailments.

But the lack of medical care is great and its cost beyond the reach of many. The Committee for the Nation's Health estimated in 1947 that altogether 97 million out of some 140 million Americans did not have the means to obtain adequate medical attention; and the Ewing report confirmed that 'by and large only the well-to-do and, to a certain extent, charity patients get satisfactory medical care'; so that 'a scant 20 per cent of our people (families with $5,000 a year) are able to afford all the medical care they need'.

Before the second world war America ranked only sixth among the nations with relatively low infant mortality rates, eighth in maternity mortality, and fourth in the average life expectancy at birth of its 'white' babies—to say nothing of the much shorter life expectancy of 'coloured' infants. No new facts indicate a basic change.

Already in 1945 President Truman told the nation that lessons must be learned from the alarming fact that over 30 per cent of all men examined for war service proved unfit physically or mentally, and that a further 10 per cent had to be discharged later for various disabilities. Yet post-war draft rejections were even higher; and when the once disqualified men came up again for examination in the late forties, it was found that very little had been done in the meantime to treat their maladies.

On June 12, 1952, the Selective Service Director stated, according to *United Press*, that nearly 45 per cent of drafted men had to be rejected since June 1948, and that the health of the nation's young men was 'less favorable now' than during the second world war.

* * *

Post-war America is richer than ever but continues to spend astonishingly little on her health. Total expenses on medical care amount to barely half the waste in gambling.

The nation has only four-fifths the number of physicians and surgeons that might suffice if they were well distributed over the country and fully used. The lack of dentists and nurses is even greater. While the rich state of New York has one physician for each 500 persons, Mississippi with its inferior transportation system has only one for each 1,500. California has one dentist for each 1,300 people; South Carolina only one for every 5,000. Wealthy Connecticut has one nurse for each 200 inhabitants; Arkansas, in the South, only one for every 2,100. Super-specialized America has barely one-third the needed children's specialists, and for the sixty per cent of her children in small towns and rural areas there are none. In twenty-five of the forty-eight states not one community has a child guidance clinic.

The prospects for more medical personnel are dim. Teaching facilities are chronically short, training expenses out of reach for many students, and organized medicine is more eager to restrict competition than to provide fresh medical manpower for the under-supplied, rapidly growing population.

If 'free enterprise' continues to decide how many people are to survive or die, get cured or suffer needlessly—the Ewing report estimates—America, by 1960, will be short of 42,000 physicians, 23,000 dentists, 163,000 nurses, and 60,000 well-trained public health workers. There are only half as many hospital beds as the minimum that would be needed on the basis of adequate distribution; but distribution is unequal and two-fifths of all counties have no acceptable general hospitals. Even in New York City many of the sick were without hospital care, the *New York Times* reported on March 5, 1948, when 10,000 patients with active tuberculosis, a menace to the rest of the people, could not be hospitalized because of the lack of beds. Yet at the current rate of hospital building, states the Ewing report, 'we will meet 1946's needs in 1986—40 years too late'.

Medical research, despite its achievements, is lagging behind America's potentialities, in chronic need of three-fold larger funds. For, of the $1 billion a year the nation spends on research, 'only a little more than 10 per cent' benefits medical and related sciences.

It is indeed, as the Ewing report puts it, a 'situation incompatible with our position as the world's leading democracy', a 'total effort for health completely out of pace with our expanding economy'. But American voters were not moved to action by this shocking document. Most of them never even heard of it. The press is partly to blame for the fact that this well-written, attractively presented publication of the Government Printing Office, at $1 a copy, did not find one-hundredth of the readers who made a best-seller of the highly technical, expensive 'Kinsey Report' on the sexual behaviour of the American male.

* * *

That people die from economic causes is not the kind of news the popular press splashes over its front pages and dramatizes in heart-rending interviews with relatives. For this, death has to be of a different kind, for instance like that of Kathy Fiscus, the little girl who fell into an uncovered, abandoned well on a California oilfield and was found dead after several days of valiant rescue attempts. In that case, special correspondents were flown to the scene, whole pages were filled with detailed news and photographs that whipped up the sympathies of the masses, and moving editorials launched a powerful popular movement which quickly forced a law through the California Legislature making it mandatory for the oil companies to cover abandoned wells.

Had proof been needed how much the press can do to mobilize an impressionable nation's dormant passion for the saving of life, it was provided by the editorial the *New York Times* wrote on the occasion.

ONE LITTLE GIRL

'A little girl was dead. That was the news—just one little girl. Three days ago only a few people knew the name of this little girl. Yesterday there was no one in this country and few in other civilized countries who had not heard of 3-year-old Kathy Fiscus of San Marino, Calif. Millions upon millions followed this heartbreaking story as they did no other news of the day. This morning those millions share the grief of Kathy's parents.

'Yet even Kathy's father and mother must have felt that something like a miracle of human compassion had taken place. Their little daughter had suddenly become a symbol of something precious in all our lives. The world is overladen with great problems. Two great wars and many smaller ones have cost the lives of multitudes, including little girls just as dear to their parents as Kathy was. But we still know, even if the mad theorists at the other side of the world do not, that one life—one tiny life—is beyond price. Kathy came close to our hearts and made us one. A splendor of unselfish emotion lit her path as she went from this earth.'

Why did such 'splendor of unselfish emotion' never light the paths of the victims of poverty who were going from the rich American earth at the rate of one every minute-and-a-half—those who did not have the money to see a doctor in time, to get the treatment they needed, or the food and shelter that might have preserved their health and saved their lives? For example, why were not millions made to share the parents' grief over a little boy 'just as dear as Kathy was', two-and-a-half months old Earl Everingham of Atlantic City, who starved to death? Was it perhaps because Earl could not have been used, as Kathy was by the *New York Times*, to serve as a little soldier in the Cold War?

Earl Everingham's father, 'a twenty-nine year old war veteran, hitchhiked home last night from nearby Bridgeton in pretty good spirits. He had got a break for the first time in six months . . . a job . . . and in his pocket was $10, an advance against his salary. The money was sorely needed. He had sent money home twice during the week he had been away job hunting . . . twenty-five cents one time, eighteen cents another . . . to buy a little milk for the babies.' But the war veteran came home too late. 'His infant son had died that afternoon in Atlantic City Hospital. Malnutrition, they had said at the hospital, undernourishment. "Starved", Everingham said bleakly, "the poor kid starved." That was it. . . . The physician confirmed it.'

The *New York Herald Tribune* conscientiously reported this miscellaneous event. But not the popular press with its multi-million circulation. There was no nationwide 'miracle of human compassion' with the child's father who had fought for his country a mere few years before and since then struggled with joblessness. Why was this case not followed up and hammered home in poignant editorials until action was taken by the legislators to cover the wide-open death traps of poverty, just as they had made the California Legislature cover the death traps of abandoned oil wells? The head of the Atlantic City chapter of the American Red Cross gave at least part of the answer when she commented on the case of the war veteran's son who starved to death: 'I guess it was a case of everybody's business being nobody's business.'

* * *

Health care for the masses of the people—that is politics, the concern of vested interests, of a great profession strictly organized on a business basis; a matter on which emotion must not be allowed to enter unless it helps to beat the drums for 'free enterprise' in medical care, to frighten the people of 'socialized medicine'.

For weren't President Truman and his Federal Security Administrator playing politics when they publicized those figures about 'unnecessary deaths'? Weren't they trying to foist 'alien' thoughts and practices on America when they followed up their grim statistics with a fresh demand for national insurance? Weren't they, like Roosevelt, attacking and undermining the qualified protector of the nation's health, the A.M.A. (American Medical Association), with activities little short of subversive?

It is true, unfortunately, that President Truman and Mr Ewing, one of the Democratic Party stalwarts, were trying to catch votes with their health campaign, turning it on full steam when elections drew close, turning it off when they were over, and never mobilizing for their proposed legislation the powerful popular support they could have mustered. But its undoubted exploitation for party politics does not take away from the justness and urgency of the cause of national health insurance.

It is true, too, that the Ewing report made the mistake of implicitly ascribing many of the unnecessary deaths to mere lack of medical care, instead of stressing the social factors created by the nation's economic order which cause so much of the sickness that, in turn, produces such deaths. This laid the figures and arguments of the report open to criticism and harmed the cause of reforming the organization of medical care. But all this only underlines the need for more serious research on the causes of the tremendously high incidence of unnecessary death and the social and political problems posed by so much untreated sickness, suffering and disability.

The Ewing report bore the suspicious-sounding sub-title 'A Ten Year Program'; but all it did was to revive the mild, non-socialist legislative project of the New Deal period, which one Congress after another had voted down under the pressure of the rich and powerful 'lobbies' of organized medicine and the pharmaceutical and insurance business. It set goals for more medical manpower, more hospitals, more government subsidies, proposed a health insurance to be paid jointly out of employers' and workers' contributions and, in general, barely tried to keep pace with the established practices of other modern countries. But with all this it fell foul of the vested interests, for it would make for more competition between physicians, between hospitals, between a national health insurance and the high-priced private insurance schemes giving partial protection to about one-sixth of the people, which the A.M.A. has endorsed and virtually made its own. In short, while national health insurance would not establish 'Uncle Sam, M.D.' as the 'dictator of American medicine', it would help provide the necessary treatment, through private physicians and hospitals, for that majority of people who cannot pay the free market price.

Once again, the old fight came to a climax. The A.M.A. decided to create a $3½ million 'war chest' for stronger lobbying in Washington against 'socialized medicine', for advertising its 'educational campaign', for distributing pamphlets in the physicians' and dentists' waiting rooms, hospitals and drug stores. It levied a $25 contribution on the 130,000-odd doctors whom it rules with an iron hand.

There were some signs of incipient revolt among A.M.A. members, a good part of whom see the crying need for measures such as the Government proposed, or even for more drastic ones. But subtle pressure, stigmatizing the professional ethics and patriotism of the dissidents, quickly put most potential rebels into their place. And while the public heard very little about the government's case but a great deal about that of the A.M.A. and remained apathetic, the doctors duly sent in their $25, closed their mouths, went on delivering babies, cutting out appendices, treating sick hearts and lungs, and shrugged their shoulders when the day's work confirmed in six, seven or eight of every ten cases that most patients needed infinitely more material help than the most charitable physician could give them by way of reduced or cancelled fees or a free bottle of medicine.

Physicians have little choice but to conform to A.M.A. rules. For, even though the doctor 'who wishes to practise medicine does not have to join a county medical society and so become a member of the American Medical Association', the *New York Times* wrote on May 20, 1948, 'unless he does, his standing in his chosen profession is so low that the privileges of hospitals are likely to be denied him and that he will find it difficult both to qualify as a specialist and to be accepted as one'. This is what maintains the near-monopoly of the A.M.A. in American medicine.

The power of the A.M.A. is used more or less in the same way as near-monopoly is in other 'businesses', and most of its leaders and rank and file membership are no less honestly convinced than those of industry that they know best what the people need.

The U.S. Supreme Court, in a symptomatic case, ruled the A.M.A. guilty of 'conspiring to coerce practising physicians from accepting employment under Group Health Associates' (a co-operative, non-profit organization for the voluntary insurance of government employees and others who tried to create for themselves a substitute for the lacking national health insurance); of 'conspiring to restrain practising physicians from consulting with Group Health doctors and . . . from affording facilities for the care of patients of Group Health's physicians'. But this ruling had no practical effect.

Thurman Arnold, an outstanding lawyer who prosecuted this case for the Government when he was Assistant Attorney General, followed it up in 1948 in a letter to the chairman of the independent Committee for the Nation's Health. 'In spite of this decision', he wrote, 'organized medicine has continued to put obstacles in the way of the establishment and operation of non-profit voluntary medical care plans sponsored by other than medical societies. In seventeen states the state medical societies have obtained the passage of legislation which practically gives control over prepayment medical care plans to these societies and prevents farmers, industrial workers and other consumers from organizing under their own auspices. . . . Organized medicine has utilized agreements, boycotts, blacklists, suspensions, and expulsions to prevent or impede physicians from participating in plans which would make medical services more widely available at less cost to patients. Under the code of ethics of the A.M.A., a county medical society may discipline or even expel a doctor who has entered into economic arrangements which the society considers "contrary to sound public policy". . . . Thus the medical societies have assumed power over the practices of a profession, licensed by the state, and over the civil rights of American citizens.'

The retort to this letter in an editorial of *Medical Economics*, a magazine richly financed by advertisements of the drug industry and distributed free to physicians all over the nation, was as characteristic of the propaganda methods of organized medicine as were the former Assistant Attorney General's revelations about its monopoly policies. 'As a shrewd businessman', the magazine wrote, 'Thurman Arnold has also been quick to size up the possibilities in state medicine. He knows it would mean greater centralization of power in Washington and greater opportunities for those who helped to bring it about.'

The financing of publications like *Medical Economics* is by no means the only way in which the funds of business are used for the below-the-belt fight of organized medicine against those who demand a socially more adequate practice of its profession. According to the reports 'lobbies' must file in Washington, more than a dozen of America's biggest pharmaceutical firms were the largest contributors to the $389,000 fund collected in 1946-7 by the N.P.C. (National Physician's Committee For The Extension of Medical Service), one of the A.M.A.'s propaganda arms.

The press normally is on excellent terms with the N.P.C.; for, apart from being a large advertiser, it induces other groups to use advertising space for anti- 'welfare state' campaigns. But in February 1948 the

N.P.C. went too far in betraying its methods. It inserted a full-page advertisement in *Editor and Publisher*, the leading trade publication of the press, offering $3,000 worth of prizes to newspaper and magazine cartoonists for 'effective portrayal of the meaning and implications of "political distribution of health and care services in the United States".' Proof of actual publication in newspapers or magazines was made the condition for the entry of any cartoonist's work in the contest—a trick of the N.P.C. to give its propaganda many thousands of times the circulation that $3,000 could buy in advertisements. It is rare for *Editor and Publisher* to rap a big customer, yet in this case it did: 'They offer rewards for doing a slanted job in newspapers and magazines, and it will be difficult for any cartoonist or his editor to deny charges of critics that they were bribed. . . .'

Red-baiting and racialism, too, have their place among the weapons of the well-organized fight against social progress in medicine. Compulsory health service is 'politically dangerous and Communist-inspired', Dr William B. Rawls said in October 1948 in his inaugural address as president of the Medical Society of the County of New York, the largest constituent body of the A.M.A. The pamphlet *The Untold Story of State Medicine* by Robert H. Williams denounced support for health insurance as 'Jewish and therefore Communist' and warned that measures like those proposed in the Ewing report were part of a sinister plot by Jewish, Negro and other minorities to make a Communist President of the United States by 1956.

Derision of state aid to health care abroad, particularly in Britain, has become a specialty of the propagandists of 'free enterprise' in medicine and other fields. One of the outstanding dignitaries of the Roman Catholic Church in America, Monsignor Fulton J. Sheen, did not think it beneath him to give this typical persiflage of Britain's 'welfare state', according to the *New York Times* of August 28, 1949: 'Socialism is that part of the economic system under which the state imposes a heavy tax on all the God-given teeth in order to supply everyone with state-given teeth, whether they are needed or not—and then rations everything that can be chewed.'

Deliberate lies in the form of cleverly disseminated anecdotes are standard practice in this struggle. Silly and seemingly harmless—like that about 'the English panel doctor who for years treated a man for jaundice until he found out by accident that the patient was a Chinese'—they sometimes prove effective in discrediting health insurance with the least informed of Americans.

This story, solemnly told in 1946 to a Senate Committee by a witness against the proposed health legislation, Dr Edward H. Ochsner of the Chicago Medical Society, is one of the favourites: A prominent Chicago physician visited a panel colleague in England to see how he handled the waiting-patients problem. As they stepped into the waiting room, the English doctor said to his forty-odd patients, 'will those of you who are troubled with a headache please stand'. Six stood up, while the doctor reached into his desk, took out six identical printed prescriptions, handed one to each of the six patients and dismissed them. Then, 'will those of you who are troubled with a cough, please stand'. Whereupon another group got up and the doctor followed the same procedure. The rest he took one by one into his private office for a few minutes each, until, within two hours, the office was empty of the forty-odd patients.

The secretary of the British Medical Association protested to the A.M.A. which gave much prominence to this 'true story'. But Dr Ochsner refused to divulge the name of the colleague whom he had quoted on this 'experience in England'. No wonder, for the man who initiated the tale may long be dead; he launched it on its eternal career more than a generation ago—about a German panel doctor—in order to discourage the introduction of the first health insurance programme in Britain in 1911.

* * *

The prospects for a modern health service are no better than the prospects for better nutrition, better housing, full employment, economic security and a more wholesome social climate—all of them basic conditions for an improvement in the people's health.

But there is another, even greater health problem in the United States: the trend to national hysteria, on the basis of deterioration of the psychological and mental health of many Americans, which the mass opinion industries foster and exploit.

'It is a fact that we have traits which make us susceptible to certain types of hysterical anxiety', Dr John A. P. Millet of Columbia University Medical Center told the *New York Herald Tribune* in November 1947: 'As a people, we have a deep fear of loss of material prosperity . . . a curious association between wealth and goodness. To be wealthy means to be good. To be patriotic also means to be good. But to be seriously and actively concerned with the welfare of all the people, as opposed to that of one group, is not universally considered an essential aspect of patriotism. We know that we are the wealthiest and the most advanced nation, technically, in the world. Yet many Americans fear that we will, if we do not take repressive measures on a large scale, be destroyed by a hostile power . . . proof that we have a basic and deep feeling of national insecurity. . . . With all our fine talk about democracy, we are secretly uncomfortable when we look at our unsolved areas of discrimination against Negroes and other minorities, of juvenile delinquency, of mistreatment of the insane, etc.'

Similar opinions were expressed in the report of President Truman's Special Citizens' Committee on Civil Rights, published shortly afterwards: 'This pervasive gap between our aims and what we actually do is creating a kind of moral dry rot which eats away at the emotional bases of democratic beliefs', the committee warned Americans.

'We must act because the mental health of America is threatened by this gap', one of the authors of the report, Mrs Sadie T. M. Alexander, carried on this thought on October 8, 1948, at a forum reported by the *New York Times*. 'There are signs that the American people are becoming mentally ill . . . develop mental frustrations, bringing on fear and hate. . . . They result in investigations. Then we come along with witch hunts, and it will not be long before we will have purges, Gestapo and concentration camps.'

Whoever has lived in America during those years of frantic denunciation of anything that would not fit into the 'free enterprise' version of the American Way of Life, of red-baiting and noisy flag-waving, of silent frustration and cowardly coat-turning, must fear that she is right.

The disease is not confined to the political sphere where it is most manifest and most dangerous to the world. Its sources are deep in the minds of millions of people who, in the words of the report of the Federal Security Administrator, are suffering the peculiarly American 'strains of competitive living, of financial insecurity, of . . . discriminatory practices and community rancors'.

'About one-seventeenth of the nation is psychotic, either confined in institutions or belonging in them', reported the *New York Times* of July 19, 1948. 'Eight million persons are suffering from some form of acute mental illness', according to the office of the U.S. Surgeon General. 'One out of every ten persons will spend some time of his life in a mental hospital, which means that 14 million persons now living will be hospitalized for mental illness at one time or another. . . . Then there are the neurotics, those who have not retreated quite so deeply into unreality. . . . Conservative estimates by psychiatrists place this number between 10 and 20 per cent of the population, excluding the psychotics. Statistics show that 50 per cent of the patients of general practitioners suffer from some form of mental illness. . . .

1,846,000 of the 5,000,000 men rejected by the Army before induction were found to be suffering from neuropsychiatric disorders.'

'During World War II, 640,000 American soldiers cracked up from mental or emotional causes and became unfit to bear arms. . . . About 60 per cent of the breakdowns occurred before the men even were in combat', *Associated Press* reported from Fort Benning, Ga., on July 3, 1951, about an Army study of 'psycho cases'.

Alcoholism is another major problem. The Chicago Committee on Alcoholism estimated in March 1948 that there are '1,802,000 alcoholics employed in industry—many of them in top executive jobs'.

Mental illness, as a whole, is as great a threat in rural areas as in the cities, even though alcoholism, juvenile delinquency and sexual maladjustment are higher in urban centres. Some 30 per cent of all elementary school children in a county of Ohio State, according to a study of the Ohio Department of Public Welfare, show evidence of poor mental health.

Even the rising death toll from heart disease—so widely publicized in scare-creating articles by magazines that prosper on the hypochondriacal leanings of Americans the press helps to create—was found by New York specialists to correlate 'rather exactly with the rising level of general insecurity evidenced by individual feelings of anxiety . . . the welter of irritation, bad temper and frank anger we live in. . . '.

The nation needs 21,000 qualified psychiatrists but has only 4,000, the National Committee for Mental Hygiene was told in December 1947. At least 30 million persons in the United States require some form of mental hygiene treatment, said the head of the guidance laboratory of Columbia University's Teachers College.

This is the physical and mental health of the most powerful nation on earth, upon whose performance and state of mind, more perhaps than upon anything else, the peace of the world depends.

It is by no means only a matter of more physicians and psychiatrists, more hospitals and cheaper and fuller medical care—but mainly, in the words of the Ewing report, one of 'relieving the people of the pressures of insecurity, discrimination, prejudices and the other social and economic inequities that exist'. In all these regards, however, America has made no progress in recent years. In fact, all these pressures have grown further, to a dangerous extent.

This is an indication of what Roosevelt meant when he warned in his Economic Bill of Rights message that 'without security at home'—in this case, without the 'right for all to achieve and enjoy good health'—'there cannot be lasting peace in the world'.

XII Cheated Children

'The fountainhead of our democracy, elementary and secondary school education, is drying up at the source.'

Senator George D. Aiken
December 28, 1947.

THE POST-WAR PLIGHT OF AMERICAN EDUCATION ADDS TO THE country's psychological and moral crisis, to its ideological insecurity.

One of the reasons for the surprising post-war decline of education is the lack of funds. The school system has been receiving barely half its needs. Elementary school teachers are so badly underpaid that there are far too few, and many of them require additional jobs to eke out a living. Only one of every five school buildings is in good condition, and millions of children start life in what experts call 'educational slums'. Fewer continue through high school than during the Great Depression, and one out of every five school children has to have a job.

'There is no doubt that we can slip backward with alarming speed if the deterioration which has taken place in our [educational] system these past few years continues unchecked', President Truman said in September 1947. 'The financial situation of our public school system is something disgraceful in the richest country in the world', he repeated in May 1948.

'We are rapidly going downhill; we are getting worse off each year', Dr Willard E. Givens of the N.E.A. (National Education Association) told the World Organization of the Teaching Profession on July 19, 1950. Dr Finis E. Engleman, chairman of the N.E.A.'s Commission on Teacher Education, warned on July 1, 1951, according to the *New York Times*, that 'the plight of American education was as desperate today as the military forces' was after Pearl Harbor'. And the U.S. Commissioner of Education stated on March 22, 1952 that the situation is 'rapidly approaching a major national catastrophe'.

The school system is still one of the numerous spheres of American social life in which the 48 states have never really been united. Each state or state-controlled community remains the jealous master of the destiny of its 'own' children and finances its schools as best it can or cares. In recent years, rich New York, while far from providing enough, has been spending $234 a year on each pupil; well-to-do Pennsylvania,

$122; frugal Vermont, $74; and miserable Mississippi, though straining her resources much more than wealthier states, a mere $25 per child. Yet all are bringing up young Americans.

To make things worse, public school funds are largely dependent upon local house and land taxes. This gives the propertied classes which average the smallest number of school age children, a vested interest in keeping educational expenses down. It is why the nation as a whole, despite the inflated costs of running the schools and the large increase in the number of school children, actually reduced its school funds one-eighth below their notoriously inadequate pre-war level, according to figures of the N.E.A.

'If a stranger were to pick up the report on the needs of New York City's schools . . .', a City Councillor wrote to the *New York Times* in December 1947, 'he would be shocked indeed to find that he was reading about the richest city in the world, which ranked "twenty-eighth in the country last year in support of its schools".'

But even if the pre-war level of school finance had been restored, another $3 billion or nearly as much again as was annually spent on the schools in the late forties, would have been required to bring the poorer states of the union to educational parity with the wealthier ones. A further $2 billion a year would have been needed to help all of them reach fairly adequate standards. Moreover, $10 billion are urgently required for new school buildings.

Impoverished Europe has been doing better than rich America. 'Despite the destruction caused by the war, educational facilities in most countries of Europe have been restored to pre-war standards', the *New York Times* reported on November 7, 1949. America spends only two per cent, or so, of its national income on public education, but 'three per cent could be spent and not exceed the efforts of nearly bankrupt England', an official of the N.E.A. told the American Council of Education on May 4, 1947. 'More than 7 per cent should be spent if we expect to surpass Russia in her effort to educate her youth', James H. McGraw, Jr., president of the McGraw-Hill Publishing Company, wrote on May 24, 1948. 'That comparison is really something to worry about. . . . The crisis presents a major emergency.'

America lacks 150,000 to 175,000 teachers; and nearly one-eighth of the 880,000 who teach are officially listed as 'sub-standard'. 'Our whole educational system is crumbling at the very foundation through the lack of elementary teachers', stated a spokesman of the N.E.A. in February 1948. 'If we permit this condition to continue, it is nothing less than educational suicide. . . .'

The salaries of elementary school teachers in New York State, averaging $3,230 in recent years, equalled the wages of the manual workers in the shipbuilding industry. Pennsylvania's averaged $2,100, as much as earnings in the low-wage apparel industry. Minnesota teachers received $1,910, the average wage in America's lowest-paying industry, tobacco. Arkansas paid a mere $1,100.

Yet the nation spends $10,000 a year for the training and keep of each soldier, including the $2,064.60 a year the First Class Private receives in cash.*

It is not surprising that, among male teachers, '81 per cent had to spend more for ordinary living expenses than they earned at their school jobs', according to a survey of the Teachers' Union in 1948; that 'the average amount by which expenses exceeded school salary was just under $1,000'; that, 'to make up for this deficit, 20 per cent had to borrow money. . . . 56 per cent took after-school jobs. . . . 50 per cent drew on savings that had been set aside for emergency'; and that 'savings from present income have been out of the question for 88 per cent'.

These two case histories were heard by a Senate committee in 1947: 'Mrs Flora Harriman of Hampden, Maine, teaches thirty children in three grades, tends furnace, cleans the schoolroom, old-fashioned toilets and the drinking fountain, displays the flag, shovels snow, supervises playground . . . has worked up from $540 to $1,000 a year. —Mrs Nannie A. Rucker, Negro School, Emery, Tennessee, teaches eight grades, forty-one children from families all but two of which are sharecroppers; takes them to county clinic, conducts all community drives, and in addition to janitor work of all types, does carpentry such as window sill repairs and propping up coal house. She said any position she could get as waitress, cook, factory worker or beauty parlour operator, would pay more, but "teaching is my calling". She gets $886 a year.'

Within a decade, America will require 1,045,622 new elementary teachers, estimated the N.E.A., to provide for the quickly growing school population, reduce badly overcrowded classes and replace teachers who die, retire or are unqualified. But barely 20,000 young people have been graduating from the nation's colleges each year to take up the penurious career of teaching and, often enough, submit to

* 'When it comes to the cost of upkeep, the man in uniform is rapidly catching up with the blonde in mink and pearls. The next time you see a soldier, sailor or marine walking along the street, you can say to yourself, there goes a man it takes $10,000 a year to support.' (*Associated Press*, February 12, 1951, about 'information of the Department of Defense'.)

the bigoted control of their thoughts and morals by local schoolboards. Year after year the teacher problem is discussed in and out of Congress, but nothing is done.

The condition of many school buildings has long been a public scandal. All states 'realize that they face a serious educational crisis because of inadequate school buildings', reported the *New York Times* on April 4, 1949 after a nation-wide survey. 'Public school buildings, on both the elementary and high school levels, are in "deplorable" conditions today. . . . Millions of children now attend classes in buildings that are obsolete, potential firetraps or totally inadequate to meet the needs of a modern educational program. . . . School officials emphasize that several million children are not receiving an adequate education because of the poor school buildings. . . . In some communities the children attend classes in garages, church cellars, private homes and abandoned shops.'

Even in New York City, one-quarter of the school children spend their lives in 'educational slums', reported the Public Education Association. Billy Rose, a widely read columnist, was moved by these facts to see for himself. 'They made me ashamed of the town I'm always bragging about', he wrote. 'There's a building up in Harlem [the Negro quarter] that used to be a prison. Twenty-five years ago the Police Department decided it was unsafe and abandoned it. Today it's called Public School 125. The school kids eat their lunches in the cells. The wealthiest metropolis in the world has not even bothered to remove the bars. . . . As I walked home, I remembered a line about kids in the Constitution of the United Nations: "Since wars begin in the minds of men, it is in the minds of men that the defenses of peace must be constructed." '

'With part-time pupils in idleness or running the streets, victims of safety hazards, prey to questionable diversions, our overcrowded schools are a community problem of the greatest magnitude', the executive secretary of the N.E.A. said on June 25, 1950.

* * *

Not all Americans are literate. Nearly 3 million are unable to read and write. Over 10 million more, with only a few years of schooling, are 'functionally illiterate, which means that they can't read a newspaper or a book or write a letter', according to *Collier's* magazine of April 13, 1946. During the war one-and-three-quarter million soldiers, 13 in each 100, fell short of the Army's modest minimum standard of fourth-grade education and had to be put through special classes for months before they could qualify for duty. 'This is a rifle—the rifle shoots', these grown-up men learned to read and write while others fought. 'I keep my rifle clean.'

Prospects seem no better for the growing generation than they were for their parents. Four million school age children, 1 in every 8, were not attending elementary school in 1951, according to census figures. In the Southern domain of Negroes and 'poor whites', things are even worse, as the Arkansas State Commissioner of Education told the U.S. Senate: '. . . 10 per cent of the educatable youth are not in schools at all. . . . 27 per cent attending so irregularly as to get little benefit. . . . 50 per cent in overcrowded classrooms. . . . 40 per cent of the teachers having less than two years' college and 20 per cent none at all'.

High school education is compulsory. Thirty-seven states have an official school-leaving age of 16, in six states it is 17, and in five, 18 years. But this is theory; in practice, 547 out of every 1,000 boys and girls left school prematurely, reported the N.E.A. in 1948. Before the war this educational 'mortality' rate on the high school level was only 487 out of every 1,000.

The inequality of educational opportunity among young Americans varies from state to state. In Montana no more than 269 in every 1,000 had to drop out before high school; in New York the number was 435 of each 1,000; in Washington, D.C., it was 574; in Texas, 608; in Mississippi 796 of every 1,000 boys were unable to continue through high school.

It might be thought that schooling is of secondary importance in a country of self-made men, where character, drive and enterprise are supposed to count more than education, as the films suggest; and where most of the great corporation presidents and other typical 'American successes' are believed to have grown up in poverty without much schooling. But a report of the Committee on Education of the U.S. Chamber of Commerce on the close relationship between education and earning power proved that those with the least schooling mostly were the first to lose their jobs in a depression and the last to be re-employed. The U.S. Census reported that men who finished grammar school earn 28 per cent more than those who did not. High school graduates earn 44 per cent more than the unschooled. Men with at least one year in college earn 82 per cent more than those without formal education. Of the Americans who became prominent enough in business to have their names listed in *Who's Who in America*, over 90 per cent are college graduates.

To deprive millions of children of a high school education therefore means depriving them of a good part of their chance in an increasingly competitive life.

If educational results are often meagre, it is largely due to economic handicaps. For, nearly every fourth pupil of 14 to 17 years holds a job while going to school, according to a Census report of June, 1951. Nearly one-third of all boys and one-sixth of all girls cannot devote their entire working time to school and homework. While 694,000 school children work on jobs less than 15 hours a week, 693,000 work up to 34 hours a week, and over 150,000 work 35 hours or more, to gain a living while they are supposed to learn and enjoy their youth.

The rate of job-holding school children in post-war years has been almost six times as high as in 1940, the semi-depression year with its low employment opportunities. But this does not indicate progress for America's youth since very few indeed of these boys and girls are of the legendary Horatio Alger type, strong and mature enough to do well in school while already on a 'business career', thriving on overwork in mind and body and grateful for their hard but glorious 'American opportunity'. Many suffer in health or education or both and develop psychological imbalances from this enforced combination of learning and earning.

* * *

Altogether, America is far from providing a healthy atmosphere for the upbringing of millions of children. The financial and social problems of their parents weigh heavily on them from infancy; and government does less than in many a poorer country to help and protect them in their formative years.

About one-quarter of the mothers even of the youngest children have to work outside to help support the family; but there are relatively fewer creches and kindergartens than in other modern nations. Even in the prosperous year 1947, the families of over one million children were dependent upon some form of public or charitable assistance; yet it is generally agreed that such aid is not sufficient to give them a fair chance of healthy development.

Post-war inflation has made the children's life more difficult, as attested by the Family Service Association of America in its report *Family Troubles Grow As Living Costs Soar*, based on surveys of 114 member agencies all over the country. 'The severe difficulties of making ends meet are contributing to the frequency of marital friction, separation, divorce and the insecurity of children . . . [There is] a gain in the number of mothers who no longer find it possible to afford adequate care and supervision of their children while they are away from home . . . an increase in the number of "problem children". . . Children having recurring illnesses . . . because parents can afford less milk or have to cut down on other items necessary to good nutrition. . . . Couples having first child, and some having third or fourth, are requesting this child to be placed for adoption since they are unable to provide for it adequately. . . . Parents' inability to pay total board cost for children placed in foster homes. . . . Mothers going to work to help pay for houses bought at very high cost and asking to place children, daytime or fulltime.'

Then at school age: 'Children failing to enter school or attending poorly because of lack of clothing. . . . Children being put to work earlier to supplement inadequate incomes. . . . Behaviour problems growing out of the inability of parents to provide things they would normally give their children. . . . Friction with older children who need allowances, and a general lowering of family living standards and harmony. . . . Teen-age children run out of spending money for school, even though they have after-school jobs. . . .'

The schools, in many cases, fail to improve the mental health of children whom their home environment impedes or damages. Teachers —too few, overworked, underpaid and often too little qualified— sometimes add to the children's psychological problems. Putting the number of Americans of all ages in need of 'mental hygiene treatment' at 30 million, Professor Esther Lloyd-Jones of Columbia University's Teachers College said: 'Teachers . . . contribute to making these figures as large as they are.'

Appalling numbers of children have become delinquent. Juvenile crime 'has attained proportions of a national threat', Attorney General Tom Clark said. 'Children—persons between the ages of 7 and 15— today commit 56 per cent of the nation's crimes', the *New York Times* Magazine Section wrote on February 15, 1948.

Juvenile gangsterism, stimulated by Hollywood, radio and 'comic' books, is a real problem. 'Pitched battles between schoolboy gangs in the streets of New York have taken the lives of ten youths in the last year', reported the *New York Times* on May 8, 1950; 'a study of New York's teen-age gangs shows that . . . the slaughter and street violence go on. . . . Young hoodlums in "third generation" gangs on the West Side are terrorizing children and intimidating adults whose homes they invade. In Harlem, teachers continue to gather large harvests of knives and other weapons from pupils. . . . The Police Department has an active file of sixty youth gangs. . . . The department's Juvenile Aid Bureau has cards on 1,500 members of these gangs. . . .'

Narcotics have made their way into the schools, dragging not a few of the young and very young into an abyss of addiction, black-marketing, gambling, prostitution and general demoralization. 'Narcotic addiction among juveniles has reached epidemic proportions in nine major cities from coast to coast and is at its worst in New York, federal narcotics officials said', according to *New York Times* reports in June 1951. 'A nightmare picture of teen-age boys drugging themselves in school buildings with heroin and marijuana bought from classmates was developed yesterday at the state inquiry . . . a 17-year-old student boasted . . . that he had been the chief bookmaker in a Brooklyn high school and had won most of the profits from the school's No. 1 narcotics peddler, whose sales averaged $300 to $400 a day. . . . One out of every 200 high school boys and girls probably is a user of narcotic drugs, Superintendent of Schools William Jansen conceded at an open hearing. . . . A 16-year-old Bronx high school girl . . . who had smoked her first marijuana "reefer" at a party when she was 13 years old told of her conversion to cocaine and heroin and how the need for money to satisfy her craving had led her to burglary and prostitution.'

'Juvenile delinquency is on the rise in the city, the state and the nation', the paper reported again on April 20, 1952. 'This extreme behaviour of youth, authorities suggest, may reflect the impact of the Korean war and the psychological effects of national and international insecurity. . . . One-tenth of the 1,000,000 children apprehended annually by the police are sent to jails (sometimes alongside hardened criminals) because communities have no place for them. . . .'

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The economic problems of higher education, too, have become more acute, despite post-war prosperity. Wealthy donors who, over the generations, gave billions of dollars of endowment funds to Harvard, Yale, Princeton, Columbia and other famous and less known private universities and colleges have become less responsive to the constant clamour for more funds. The annual yield of existing endowments has not kept up with inflation-swollen costs; and the growing number of students—2,300,000 in 1950 against 1,500,000 before the war—has required more and more funds. State institutions, too, have been kept relatively short by thrift-minded legislatures.

The nation's colleges and universities are 'in desperate straits' and running deeper and deeper into debt, the Association of American Colleges warned in 1948. The situation grew worse in 1949 and 1950, from home . . . an increase in the number of "problem children". . . Children having recurring illnesses . . . because parents can afford less milk or have to cut down on other items necessary to good nutrition. . . . Couples having first child, and some having third or fourth, are requesting this child to be placed for adoption since they are unable to provide for it adequately. . . . Parents' inability to pay total board cost for children placed in foster homes. . . . Mothers going to work to help pay for houses bought at very high cost and asking to place children, daytime or fulltime.'

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The nation's colleges and universities are 'in desperate straits' and running deeper and deeper into debt, the Association of American Colleges warned in 1948. The situation grew worse in 1949 and 1950, even though enrolments began to drop and about $1 billion worth of fresh private gifts were given or promised, often by businessmen aiming for community prestige, research benefits, or influence. But at least $5 billion are required to improve teaching facilities, replace the large numbers of obsolete buildings and increase the salaries of that majority of college teachers and professors who, too, are badly underpaid. Many a college and university dean or president has turned full-time fund raiser. New appointments to those positions of scholastic and educational responsibility are made more and more on the basis of a candidate's connections with business.

This financial dilemma has made a good many institutions of higher learning appendages of business and submitted many more to growing commercial influence. Executives of the giant corporations play a major role on the boards of colleges and universities. Together with other businessmen they have become the intellectual mentors, apart from the financial backers, of much of America's higher education.

Many colleges and universities are now in business themselves, investing their endowment funds in industrial and commercial enterprises and acquiring vested interests in business—which inevitably colours the social outlook they impart to their students.

'Colleges today are a long way from being just dealers in higher education', wrote *Business Week* on September 10, 1949. 'In the last few years the schools have come to look more and more like corporate holding companies. Some 40 per cent of endowments are now directly invested in businesses or real estate. Much of the college news now belongs more on the business-financial pages than in the educational columns. . . . To make ends meet, universities, either as owners or as sole beneficiaries, have taken over the operation of a wide range of businesses . . . from airports and bus lines to piston-ring plants. Schools also operate fruit and walnut groves, farms, cattle ranches and creameries, printing plants, laboratories, office buildings, and apartments. . . . Except for life insurance companies, schools are probably the largest owner-lessors of retail stores. . . .'

The commercial ventures of America's academic institutions sometimes arouse the ire of competitors in small business; for college-owned or operated enterprises are exempt from federal tax on corporate earnings. The leadership of Big Business, however, gladly encourages the interlopers, sharing the views of college and university presidents whom *Business Week* quoted as saying: ' "It is certainly an infinitely healthier thing . . . for colleges to add to their living by business investment than to rely on outright federal subsidies . . . as has been urged even by some leading educators".' For what can be better for 'free enterprise' than to have the teachers of America's academic youth still more securely in their camp?

Even in the lower reaches of the educational system business invests much money to strengthen its influence. 'American industry and commerce spend about $100,000,000 annually for cooperating with schools and educational institutions', Dr Paul B. Gillen of the public relations consultants firm Hill & Knowlton was quoted by the *New York Times* on February 5, 1949. And Howard M. Cool, educational director of the National Better Business Bureau said, according to the *New York Herald Tribune* of March 12, 1948, 'that in distribution of educational materials schools should be considered as a regular advertising medium. . . .'

The economic problems of many college and university students are no less serious than those of their schools.

From 1900 to 1946, tuition and other fees rose four-fold in private universities, and ten-fold for non-resident students in state institutions. By 1950, the cost of tuition went up still further. The annual cost of attending colleges, universities and technical schools, in the *New York Times*' estimate of November 27, 1950, was between $877 and $899 for the average student. This may still not be much for the upper-income groups which, according to a study of a Harvard University group, are sending 90 per cent of their children to college. But it is a good deal for many of the middle-income families who give 15 per cent of their boys and girls a higher education. And it closes the doors of colleges and universities to many of those mere 5 per cent of the children of lower-income families who, so far, have somehow managed to get in. (Only few scholarships cover most or all of the cost of study, apart from those which, for some years, permitted veterans of the second world war to study under the G.I. Bill of Rights.)

In post-war years, one-quarter to one-third of all students aged eighteen to twenty-four had to have jobs to pay part of their way through college, against 16 of every hundred before the war. Many of those who give up their studies without graduating (half of all who start) are the victims of ambition unsupported by adequate family means, rather than unable to 'make good'.

America is indeed 'allowing the opportunity for higher education to depend so largely on the individual's economic status', as a special commission of distinguished citizens set up by President Truman reported in December 1947, that 'we are not only denying to millions of young people the chance of life to which they are entitled [but] are also depriving the nation of a vast amount of potential leadership and potential social competence which it sorely needs'. For the mere one-sixth of the nation's youth of college age who study are barely half the number of young Americans the Commission considered 'mentally capable of higher education'.

Yet, what use is it suggesting a vast government aid scheme that would give free college education to all promising students—as the Commission did, without much hope of ever seeing the proposal passed by Congress—when it is evident that the American economy is unable in peace-time to absorb even the poverty-restricted crop of college and university graduates?

'Many graduates will be unable to find jobs in the occupations for which they have been trained', read a typical *Job Outlook* report of the U.S. Department of Labor on June 1, 1949. 'Jobs are to be fewer in 1950 . . . while the number of jobseekers with new diplomas will be the greatest in history', wrote *U.S. News & World Report* on March 24, 1950. 'Jobseekers in the 1950 flood of graduates are being told to expect the worst.' Only the Korean war changed this somewhat, at least for the time being.

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Greater even than the economic problems which trouble American education are its intellectual dilemmas.

One of them is the 'constant competition of the press and other mass information media (which seek) to vulgarize the human mind', Dr Robert M. Hutchins, Chancellor of Chicago University and author of the *Report on the Freedom of the Press*, was quoted by the *New York Times* of October 6, 1950. 'He said that one university such as the University of Chicago (among the largest and best in the United States) exercised much less influence in the public mind than a motion picture company in Hollywood.'

No matter how much parents, teachers and social workers may object and how conclusively investigations may have confirmed the immeasurable harm the mass opinion industries do to the mind of youth, 'free enterprise' has been winning the battle for the children's minds over the ill-equipped school system. Under public pressure some radio network may postpone its regular evening 'murder mystery' to after-supper time, or some comics producer may choose a few 'wholesome' subjects to offset their normal fare of brutality- and stupidity-inducing trash but things are steadily becoming worse, especially since television has made new inroads into the 'juvenile and adolescent markets'.

Much of young America is in a bad way intellectually, General Omar N. Bradley, U.S. Army Chief of Staff, complained in an article in *Collier's* magazine on February 26, 1949 about 'the political illiteracy of our young troops'. He was 'moved to charge education with gross dereliction' and blamed 'the people as a whole [for] their shocking apathy to the sterility of their school curricula . . . responsible even today for the political immaturity, the economic ignorance, the philosophical indifference and the spiritual insolvency of so many young men'.

'The lack of knowledge of even fundamental aspects of American life is appalling', the educational expert of the *New York Times* summed up a nationwide college survey on June 11, 1951. 'The amount of misinformation is unbelievably large. . . . Less than half the college students know even the approximate population of the United States. . . . Despite the role that this country is now taking in world leadership, the college students know very little about the world beyond their own borders. For example, only seven out of the 4,752 students—and all were upperclassmen—could name the countries that border Yugoslavia. . . . Few could even name one country that touched Yugoslavia; others named such nations as Belgium, Egypt, Manchuria or Portugal. One student even named Canada.'

The 'sterility of American school curricula' not only has remained unchanged; but educational standards and school morale have deteriorated further under the two-fold impact of economic anaemia and Cold War pressures the school system has been suffering.

These are some symptoms of the unhealthy atmosphere in American education.

New York police 'used 150 men of the foot patrol, forty police recruits, thirty detectives and twenty mounted men' against high school students demonstrating in support of their teachers' demands for salary increases, the *New York Times* wrote on April 29, 1950. 'An alerted and augmented police detail kept the main bodies of the students from assembling in and around City Hall. . . . Police-student clashes were frequent. . . . The skirmishes resulted in twenty-one persons being taken into custody. . . . By noon, the police had the students well out of Foley Square, but each time the bluecoat line slackened or moved back toward the Square, the student lines reformed and sallied back, the girls screeching, the boys shouting.'

'Frequently the schools do not take up controversial issues in the classrooms, because of community pressures or because the teachers fear that they will be labelled "Red" or denounced as "radicals" [and because] unjust accusations directed at teachers for "un-American activities" often tend to create fear and insecurity among the teaching staff', the same paper reported on January 23, 1950; so that, as one school superintendant said: 'Teachers are now afraid to discuss current issues which might even lead to the bare mention of Russia in the classroom.'

'A dismal picture of banned textbooks, mutilated courses of study, intimidated teachers . . . was unfolded', the paper wrote on August 21, 1951, about the convention of the far from 'radical' American Federation of Teachers, whose president spoke of 'an epidemic of vicious, unwarranted firing of teachers', in some cases with 'the specific charge of union participation', and 'a tightening of the noose around the neck of free education'.

On the university level things are even worse: 'A subtle, creeping paralysis of freedom of thought and speech is attacking college campuses in many parts of the country, limiting both students and faculty in the area traditionally reserved for the free exploration of knowledge and truth . . . a narrowing of the area of tolerance in which students, faculty and administrators feel free to speak, act and think independently', the *New York Times* summed up its study of seventy-two major colleges on May 10 and 11, 1951.

'Many members of the college community were wary and felt varying degrees of inhibition about speaking out on controversial issues. . . . Such caution, in effect, has made many campuses barren of the free give-and-take of ideas, [created] a seemingly insoluble problem for the campus liberal, depleted his ranks and brought to many college campuses an apathy about current problems that borders almost on their deliberate exclusion. . . . A shying away, both physically and intellectually, from any association with the words, "liberal", "peace", "freedom", and from classmates of a liberal stripe. . . .The willingness of instructors to express their own honest viewpoint has been slowly ebbing. . . . A number of the teachers offer qualifying apologies during their lectures, particularly when they move from the black-and-white realm of the textbook to analysis and interpretation, saying, "Don't get me wrong," and "Don't think I'm a Communist". . . . [On one campus] there was an atmosphere, as in most of the country, which tends to equate criticism with disloyalty and liberalism with Communism. . . .

'In the college placement office, Miss Ruth Houghton, director, said the word "liberal" was "a poisonous word" to many would-be employers, who conceived of the "liberal girl" as an "obstructionist" and "organizer against employer interests". . . . At the University of

Michigan Dean Erich A. Walter explained that students were quite obviously more careful in their affiliations, recognizing that Federal security [F.B.I.] officers were making careful checks on the membership of liberal organizations. . . .

'Repressionism continues to make inroads not only on freedom of speech, thought and action on the college level, but at each echelon of the nation's educational structure.'

XIII The Other America

'Not all groups of our population are free from the fears of violence. Not all groups are free to live and work where they please or to improve their conditions of life by their own efforts. Not all groups enjoy the full privileges of citizenship . . .'

President Harry S. Truman
February 3, 1948.

'American anti-racial and anti-religious practices make a mockery of both the Constitution and the Charter of the United Nations.'

Dr Ralph J. Bunche
January 30, 1950.

WITHIN THE UNITED STATES THERE IS ANOTHER AMERICA, WHERE full equality for all before the law does not yet exist, where the average citizen earns only about half as much as his average compatriot and lives a worse and shorter life.

That other America covers eleven of the Union's forty-eight states—Louisiana, Arkansas, Mississippi, Alabama and Georgia, Tennessee, Kentucky, Virginia, the Carolinas and Florida. It stretches south into the Caribbean, to America's colony Puerto Rico; west into Texas and Oklahoma, New Mexico, Arizona and beyond to Hawaii; north into the capital of the United States, Washington, D.C. It has its enclaves in almost every large American city, on the pattern of the overcrowded, dismal Harlem quarter of New York.

To this other America belong 14 or 15 million Negro descendants of the plantation slaves from Africa who helped to lay the foundations of the country; the half-million remnant of native Red Indians, once the owners of most of the nation's land and still far from emancipated; mixed Mexicans, mainly in the Western states which once were theirs; the ever growing community of Puerto Ricans who escaped from the slums of their unhappy homeland to the continent; citizens of Chinese and Japanese descent; uncounted numbers of people of mixed parentage, including those with but a few drops of 'colored' blood; probably about twenty million 'poor whites', sharecroppers in the South, slum neighbours of the 'non whites' all over the nation; and, most pathetic of all, hundreds of thousands of migrants who are again moving over the country as in the depression days of the 'Grapes of Wrath'.

The main but not the only characteristic of the other America is its discriminatory treatment of 'non whites' by a relatively few of their 'white' compatriots who have on their side a number of outdated laws.

'Racial discrimination has no scientific foundation in biological fact', a UNESCO research committee of eight prominent scientists, including two Americans, confirmed in August 1950. Yet discrimination on racial grounds still pervades American life—and even death.

'Swing low, sweet chariot', goes the old Negro spiritual, 'coming for to carry me home.' And when it comes, it carries to strictly segregated cemeteries 67 per cent more infants of 'non white' than 'white' parents, *pro rata* of their total numbers; 69 per cent more 'non white' toddlers; 50 per cent more 'non white' children between five and fourteen; 151 per cent more 'non white' boys and girls in their teens and early twenties; 168 per cent more 'non white' men and women up to forty-four; and nearly twice as many at middle age. Only 'non whites' who survive to seventy are at last on a par before death with 'whites'. U.S. vital statistics show further that the tuberculosis death rate is nearly three times as high among 'non white' as 'white' males, four times as high among 'non white' as 'white' females. At the ages from 15 to 24, 'non white' tuberculosis mortality is 8¼ times as high as in the case of 'whites'; and mortality in childbirth of 'non white' mothers is three times that of 'white' mothers.

Even the new generations of 'non whites' born in the period since the second world war have a shorter life expectancy than 'white' babies, although science has not discovered the slightest biological difference between them. U.S. government calculations, on the basis of mortality facts, now predict for 'white male' babies an average life span of about 65 years, but for 'non whites' one of only 57 to 58 years; for 'white female' babies nearly 71 years, but for 'non whites' only 62 years.

These underprivileged, on an average, will lose seven to nine years of their lives, one-tenth to one-eighth of their normal span. This discrepancy between the prospects for 'whites' and 'non whites' in the United States is about the same as the difference between average life expectancies in relatively well-to-do France and poverty-ridden Japan.

Of all 'non white' families, 10.5 per cent have had to live on annual incomes of less than $500 in recent years, while only 3.8 per cent of all 'white' families were in this predicament. Another 18.3 per cent of all 'non white' families, but only 5.2 per cent of all 'white' families, earned between $500 and $999 a year. Below the poverty line of family incomes under $2,000 a year live 62.3 per cent of all 'non whites' and 23.9 per cent of the 'whites', as shown by a census report of February 7, 1949.

One-half of all 'non whites' earn on an average only about $185 a year per capita. This is, according to official consumption statistics, as much as the 'average American' spends each year on clothing, toiletries and barber services.

It is an annual income only $11 higher than that of the average Mexican; two-thirds that of the average Spaniard; barely one-third that of the average citizen of France and Belgium, the recipients of American aid—to which the poor of the United States, including 'non whites', contribute heavily through direct and indirect taxes.*

Even the average per capita income of all citizens in the Southern states, 'whites' and 'non whites', rich and poor, in 1950, was only $959, while that in the rest of the Union was $1,500. At the one extreme, the Southern state of Mississippi had an average per capita income of $698; at the other extreme, that of Washington, D.C., was $1,986 and New York's $1,864. Yet the rich enjoy even larger shares in the total incomes of the underprivileged states than elsewhere.

* * *

The other America, on principle, pays lower wages for the same work than the rest of the nation. 'Southern male occupational groups were paid about 84 per cent of corresponding job earnings in the Northeast. . . ', stated the *Monthly Labor Review* of the U.S. Department of Labor in April 1948. 'In all periods, a substantial proportion of Southern skilled groups earned less than 80 per cent of the rates for similar workers in the northern region.' Yet living costs are by no means lower in the South. The Department's model budget for a city worker's family, at that time, required between $3,004 and $3,276 in the Southern cities of New Orleans and Mobile, against $3,010 in Kansas City and $3,251 in Los Angeles. Moreover, 'non whites' usually earn less than 'whites' in the same jobs, at the same place.

Even the Negro veterans who fought in the second world war earn less than their 'white' comrades in civilian jobs. 'The earnings of the Negro veteran are typically 30 per cent below those of the white veteran', the C.I.O. *Economic Outlook* reported in August 1947, and 'he finds it more difficult to get work'.

'Non whites' are always the last to find jobs in a boom and the first to lose them in a recession. 'Many Negroes lack jobs in days of "full

* 'The fact is shocking but true that it is those in the lowest-income bracket who already bear a disproportionate share of the tax burden.' (Material prepared for the Joint Committee on the Economic Report by the Committee Staff, 82nd Congress, Washington, February 23, 1951).

employment",' wrote the *Wall Street Journal* on September 9, 1948; 'in San Francisco . . . about a third of the coloured population are out of work [while] the general average of unemployment is 9 to 10 per cent'. In the nation as a whole, in 1948, 'non white' unemployment was officially reported as 62 per cent higher, *pro rata*, than 'white' unemployment.

The relative position of the farmers in the other America is even worse. Facts of the U.S. Department of Agriculture show that average living standards on the farms of Southern states like Mississippi, Arkansas and Alabama are barely one-fourth to one-fifth as high as those of New Jersey, Iowa and California, and only one-third of those on farms over the nation as a whole.

This is a typical case of Southern farm life:* 'Leroy Canton, age 50, is a sharecropper in southern Arkansas. He and his wife and their son and daughter, ages 6 and 5, are one of 35 tenants on a large plantation owned by the Cassanova Corp. . . . Their 1949 income was $680.50 (including $233.00 earned by Mr Canton as tractor driver for the plantation operator, various amounts from odd jobs, and $80.00 profit from the family's share in their cotton crop). The Canton family raised 13 bales of cotton last year. 6½ bales for the plantation operator's share. The plantation operator gins and sells the entire crop, the sharecropper having no voice in the handling of his share. When the crop has been sold the operator gives the family a statement of their debts. The sharecropper is required to pay for seeds, fertilizer, poison for insects, and tractor cultivation out of his share of the crop [but has] no idea of the cost of any of the items since they are never listed. . . . After the operator made his deductions for their expenses the family cleared $80 from the sale of 6½ bales of cotton (market value about $1,000). The family is also dependent upon the operator for any other cash income they receive, since he controls where and when they can work. . . . Last year the operator paid his tenants $2 a day for chopping; however, laborers brought from outside cities and communities were paid $4 to $7. . . . All children large enough, and all women, labor from sunup to sundown every day, except half-days Saturdays and Sundays. . . . The doctor whom the plantation operator engaged will not tell the family what he charged for his treatments. The operator will charge the doctor's bill to the family's crop account and collect

* *Making Ends Meet On Less Than $2,000 A Year—Case Studies Of 100 Low-Income Families.* A Communication to Congress from the Conference Group convened by the National Social Welfare Assembly; Government Printing Office, Washington, 1951.

in the fall. . . . No member of the family has a winter coat, and no clothing has been given to them. . . .'

The technological revolution on the cotton farms makes life more and more hazardous for families like the Cantons. 'A big question in the South concerns the fate of sharecroppers and tenant farmers who will soon be displaced by mechanical inventions for cotton farming', the *New York Herald Tribune* wrote on November 18, 1946. 'The mechanical picker replaces as many as seventy-five hand workers. . . . Five million landworkers will go on relief within the next five years. . . . They will have to move from the plantation homes they now occupy. . . .'

This is one of the reasons why the pathetic stream of migrant farm workers has begun to swell again in post-war years. 'The only practical difference between 2,500,000 migrant farm workers in the U.S. today and the unhappy villeins who toiled out their miserable existence in feudal England is that the 1947-model serf does not wear an iron collar rivetted around his neck, inscribed with the name of the owner', wrote Harold L. Ickes, former Secretary of the Interior, in the *New York Post* of November 4, 1947.

'The specter of human misery again is stalking the "Grapes of Wrath" country . . . a grim foretaste of what is likely to come next year and in the years after, with rapid farm mechanization, crop cut-backs and softening industrial, urban employment', reported the *New York Times* on March 17, 1950. 'Despite a state law forbidding child labor, an increasing number of boys and girls under 14 years of age—children of migratory farm hands—are at work in the fields of New York State', the paper wrote on September 4, 1950. 'More migrant children work each year . . . half of them under 8 years. . . . Many were born while their parents were on the road. . . .'

It is not surprising, then, that there is among the under privileged 10 million families of the other America 'frequent reference to the war years as "good times", in the sense of being economically rewarding',* and that the social workers who reported this fact to Congress in the armament boom summer of 1951, added the significant remark: 'Today's defense mobilization seems to be bringing us again into such a period.'

* * *

Never bombed and record-rich, the United States lacks 11 or 12 million new homes for its 40 million families, nearly as many homes

* *Ibid.* p. 2.

as the war destroyed in Europe. The luxury penthouses and the pretty suburban homes, the cosy little city apartments of film, magazine and advertising lore are certainly part of the United States; and many dwellings are good, spacious and comfortable or at least adequate; but the slums are still characteristic of the other America.

'In one room twelve by twelve feet, ten people live and sleep, with no sanitary facilities except a water faucet in the backyard. . . . In a four-room house sixteen to twenty-five people live with no sanitary facilities. . . . Somewhere between 10 and 15 million Americans are living in such slums. . . . Slums are growing like cancers, generally ringing the central business districts of our cities and more or less rapidly spreading outward with their truly terrible blight. . . . It is a national disgrace. . . . There is serious danger of an epidemic in this area within a few blocks of the Capitol.' These were not the words of rebel-rousing radicals but of conservative Senators who, in April 1949, had a look at a typical slum in the very shadow of the Capitol dome of Washington and reported their findings to Congress.

One-fifth of the area of American cities is blighted, 'creating tremendous health and social problems for 25 million people', the ex-mayor of Memphis, Tenessee, told the United States Conference of Mayors. 'The ill-housed one-fourth of one city's population produced more than half of the tuberculosis cases each year and sent nearly 40 per cent of its mentally ill to state institutions', the *New York Times* quoted the Surgeon General on November 27, 1949.

At least 39 per cent of city housing in the United States is 'below standard for minimum health and safety regulations', stated the National Housing Agency. 'More than 16 per cent is without running water. . . . More than two-thirds has no inside private toilet. . . . Almost two-thirds has dangerous or inadequate heating. . . . Almost half has inadequate daylight or ventilation.'

Housing conditions are no better in rural areas: 4 out of the 6½ million farm families were ill-housed, the National Committee on Housing reported in 1946, and about 2 million farm families lived in dwellings 'beyond repair'. Nearly three-quarters of all farm families, according to 1948 data, had no bathtub or shower. Over one-half even lacked kitchen sinks.

But early in 1949 the barely half-sufficient post-war building rate began to fall, and 'for the first time since depression days, the specter of rows of unsold new homes in key cities over the country has risen to plague builders, despite continuing housing shortage', the *New York Times* reported on February 24. For the cost of new homes is out of reach of the majority of those who need them most. Post-war building has provided homes mainly for the relatively well-off. Only one out of every five new homes was built for rental. Of these, merely one-fifth were offered at rents of less than $600 per year, which few of the families with annual incomes of less than $3,000 can pay. Such families, however, make up about one-half of the American population, and they are of course the worst housed.

How much higher, relatively, rentals are for the poor, especially for 'non whites', than for the middle classes, was shown by a census report of September 24, 1948 about incomes and housing in Washington D.C. Middle class families with annual incomes of $7,500 and over, who usually live in good districts in roomy, well-maintained quarters with modern comforts, paid a median rent of $876 a year. But those with annual incomes of $1,000 to $1,999, the slum population which impressed some Senators as potential breeders of epidemics, paid a median rent of $468 for slum quarters which no figure and no words can put into comparison with those of their betters. Three times more Negroes and other 'non whites' than 'whites' were officially reported to be without private bath or flush toilet. The proportion of 'non whites' living in overcrowded places was 'roughly four times as high as that for whites', stated a June 1948 report of the official Housing and Home Finance Agency; and the proportion of substandard homes inhabited by 'non whites' was almost six times as high as in the case of 'whites'.

* * *

The American Government reported to the United Nations on September 3, 1950 that 'significant advances' had been made in the United States in promoting human rights, eliminating discrimination due to race, creed or colour, and generally in protecting the basic freedoms of American citizens.

This statement ignored another one made the same day by the Rt. Rev. Bishop D. Ward Nichols: 'Last week we heard President Truman announce to the world that the United Nations and United States were fighting for the rights of free men everywhere. At the same time he permits by both words and deed racial segregation in the armed forces. . . . I say it is treason. . . .'

It also ignored the authoritative view that 'American anti-racial and anti-religious practices make a mockery of both the Constitution and the Charter of the United Nations', expressed on January 30, 1950, by Dr Ralph J. Bunche, the prominent Negro who had resigned from the

U.S. State Department after a most exceptional career, because he and his family could no longer stand the degradation of life in segregated Washington, and joined the United Nations staff. Soon after, Dr Bunche 'denounced the city of Washington as "the nation's greatest shame" because of its discriminatory attitude toward the Negro population . . . and that it had not yet admitted Abraham Lincoln's "moral dictum that the Negro is a man".'

Finally, the Government statement ignored that the very basis of racial segregation and discrimination in the other America—the law of various Southern states—remains unchanged. In Georgia, for example, it is still a punishable offence to have restaurants, barber shops, street cars, lavatories, etc., serve both 'white' and 'colored' persons and to bury 'colored' dead in cemeteries where 'white' people are buried. 'Whites', under the law, are 'only persons of the White or Caucasian race, who have no ascertainable traces of either Negro, African, West Indian, Mongolian, Japanese or Chinese blood in their veins'.

As though the North had never won the Civil War against the slave-holding South, as though the Constitution of the United States had never been amended to give equal rights to the Negroes, one Congress after another fails to pass the long overdue laws required to submit the recalcitrant minorities that govern the Southern states to the letter and spirit of the Constitution. Congress after Congress fails even to make the South recognize the authority of the Federal 'Fair Employment Practices Commission', charged with the limited task of setting an end to discrimination in the labour field.

The other America has not changed fundamentally, although here and there it has experienced some improvement; although all but a relatively small yet extremely powerful minority of Americans are honestly in favour of doing away with discrimination; and although large numbers of liberal-minded people of all strata have been fighting for the completion of the old task of emancipation.

'Sharp criticism of both houses of Congress for failure to take action to eliminate "those patterns of discrimination and segregation which deny to many Americans that equality of opportunity and right which is the essence of our democratic system", was made in a joint report by the American Jewish Congress and the National Association for the Advancement of Colored People'. (*New York Times* of March 26, 1951.) They blamed both political parties for failing to enact any major civil rights measure.

Headlines like these still appear in the daily papers: 'Negro, Flogged, Shot by Whites, Dies in Florida'; 'Sheriff Reveals Negro Beatings in

Mississippi'; 'Racial Bars Held Rigid In Churches'; 'Burial As Veteran Held Up For Negro—Clearance Policy Bars Soldier Who Fell In Korea From Phoenix Cemetery'; 'Emancipation Far Off For [American] Indians'.

A Chicago suburb, in July 1951, was shaken by three days of mob violence when, in the words of the *New York Times*, 'a Chicago Negro, a bus driver, . . . World War II veteran and graduate of Fisk University . . . moved from the ghetto of this city's Black Belt to a suburban community'. A 'white' mathematics professor at Pennsylvania State College who became active in the fight against the exclusion of Negroes from a new housing project in New York, was dismissed from his position, according to the *New York Times* of April 19, 1950. He was told by the assistant of the college president 'that his action in permitting a Negro family to live as guests in his New York apartment was "extreme, illegal and immoral, and damaging to the public relations of the college".'

When the U.S. Government, in the summer of 1951, decided to mint special 50-cent pieces in honour of Booker T. Washington and George Washington Carver, to be sold as memorials to those distinguished Negro scientists and benefactors of Southern agriculture, 'that the Government did so to forge another weapon for ideological warfare'. For, as the *New York Times* approvingly reported in an editorial on September 3, 1951, the profit from the sale of the memorial coins at $1 each was to be used 'to combat Communism among Negroes'—rather than to improve their living conditions.

* * *

Economically, as morally, the other America is still the forgotten frontier of the United States, her own 'backward region'—as desperately in need of development and capital investment, of technical, educational and health assistance, of land reform, democratic advancement and social progress as many an underdeveloped territory in the outside world.

It offers the greatest and most natural outlet for the surpluses of goods, machinery and capital that threaten the American economic order with depression and force it into the illusory escape of armaments and foreign markets.

'If the States in the lower half with reference to income per capita were lifted to the average for the country as a whole . . . the effect in terms of creating a new market would be far greater than our whole foreign trade', Professor K. Norton of Columbia University already told the U.S. Senate's Temporary National Economic Committee on April 24, 1940. And the United Nations' Food and Agricultural Organization, in its 1949 Report on International Investment and Financial Facilities, which summarized the most urgent and immediate development needs of the world's 'backward' regions, significantly included $8,500 million that should be obtained for the 'North American Cotton Belt', in the underprivileged South of the United States.

XIV Oh, to be Secure

'True individual freedom cannot exist without economic security and independence. "Necessitous men are not free men."'

(*From Roosevelt's 'Bill of Economic Rights'*)

NO PEOPLE HAVE GREATER FEAR OF THE HAZARDS OF MODERN economic life than Americans. For none know better the cruel dangers from unemployment, sickness, disability, old age and death in an economic order that leaves human welfare more or less to free enterprise.

Americans want first of all 'a sense of security' and only then 'an opportunity to advance', Elmo Roper, the public opinion poll expert, wrote in the *New York Herald Tribune* of January 8, 1947, refuting the standard argument of business that 'this emphasis on "security first" is not warranted because most Americans are still a venturesome people willing to take long chances in return for high rewards'. They want, 'above all things, security and stability, protection against the cold winds of uncontrolled economic forces', *Business Week* warned on November 6, 1948; and 'if management fails to adjust its operations to this kind of world . . . which thinks of governmental action as the natural way to protect people against economic hazards, if it contents itself with bemoaning the wrong-headedness of the American people, it will not be doing its duty to itself or its stockholders'.

Yet, the United States spends no more on social security than on cigarettes, cinemas and taxi fares.

'U.S. social insurance lacks many features offered elsewhere', *U.S. News & World Report* wrote on February 18, 1949 in an account of the 'World Boom In Social Security' in which so many Americans wish to join: 'In Russia, the state taxes all workers and guarantees security for all. In Britain, one fourth of the national budget is devoted to social services in a cradle-to-grave plan of security. In Germany, defeated in war, social insurance goes on, restored as one of the first steps taken by the conquerors. Belgium, France, Italy, the Netherlands, Spain, Sweden, Switzerland, Argentina, Mexico, Uruguay, Australia, New Zealand and Canada are some of the countries with elaborate systems for providing individual security.'

Business in the United States continues to denounce social security measures as 'the end to incentive' and 'the road to Bolshevism', telling the people that ' "security" is not a manly word' and trying to impress them with a rather ineptly chosen quotation from *Macbeth* that Shakespeare 'already warned': 'and you all know, security is mortal's chiefest enemy'.

The thesis of business is that Americans, through their own 'free enterprise', create for themselves all the protection and security they need.

'More than in any other country, men have come up from nowhere and built success and wealth on a prodigious scale', stated a widely circulated pamphlet of the Research Council for Economic Security, one of the spearheads of business propaganda in this field. 'Relying upon tremendous ambition, outstanding ability and untiring enterprise, they have attained security far beyond ordinary standards. The accomplishments of these poor boys of yesterday, who are the business leaders of today, have made it possible for a much more numerous second group to attain varying degrees of financial security . . . the great majority of the American people, the executive and the worker, the farmer and the white collar class.' But then came 'another group, demanding a new type of security, one which would put its faith in the government rather than relying upon individual activities'. The state-provided social security those others demand 'would seriously interfere with the incentive which causes people to provide for their security and to create wealth in the process, the principles of opportunity, individual enterprise, and personal thrift, through which this vast reservoir has been built and developed.'

The Council put the total privately provided 'protection' at $305 billion—$175 billion savings, $60 billion real estate, $30 billion shareholdings, and $40 billion life insurance assets.

But whom, actually, does all this wealth protect? To whom does it belong?

There is no detailed information on the distribution of wealth in an otherwise statistically minded nation, which has data on almost any aspect of life, from the incidence of left-handedness to the distribution of pianos and accordions, from the age groups of males and females that rank high, medium or low among cinema-goers, wearers of hats and chewers of gum to the exact location of the 'pivotal' square yard of land somewhere in the Middle West which in any given year is the centre of the nation in terms of population density.

However, the U.S. Treasury's statistics on death duties on assets of over $60,000 give some indirect clues. Assuming that property owned by the living must be proportionate to the property of those who died over a number of years, these data permit a rough calculation of the upper part of the pyramid of private wealth in 1946-7.

One-and-a-quarter million persons, it appears from these data, owned over $300 billion, or nearly one-half of the entire national wealth.* They were four-fifths of one per cent of the American people.

About the property of the remaining 99.2 per cent of the people statistics of the Federal Reserve Board give at least some partial answers.

The nation's private savings, at the same time, were about $130 billion. Yet twenty-seven of every hundred American families had no savings whatsoever; fifteen of every hundred owned between $1 and $199 each, or the equivalent of one hour's to four-and-a-half weeks' industrial wages. Another thirteen of every hundred families owned between $200 and $499. So that the majority of the people—fifty-five per cent altogether—either had only insignificant savings or none at all. Only one in every seven families had savings of $3,000 or more, as much as one year's modest family income. And a good part of those, naturally, were among the 1¼ million Americans in possession of half the nation's wealth.

Sixty per cent of all savings were held by one-tenth of all families during these prosperous early post-war years; yet 'millions of families in the middle and lower income groups have to dip into wartime savings to make ends meet', *U.S. News & World Report* wrote on July 23, 1948.

Home ownership is widespread in America. But sixty-five of every hundred families with annual incomes under $3,000 did not own their homes; while among families with incomes of $7,500 or more the percentage of home owners was over twice as high.

Stocks and bonds were owned by only five of every hundred families in the lower-income half of the American people. A later study of the Brookings Institution showed, according to the *New York Times* of

* The total physical wealth of the nation other than in assets under public ownership—i.e., all farms, mines, industries, railways, ships, buildings and other properties—was about $430 to 450 billion in 1946. (The research institute Economic Accounting, Inc. put it at $428.7 billion. The estimate published by *U.S. News* on September 19, 1947, after deductions for public property and consumer goods in use, came to about $450 billion.) To this physical wealth have to be added some $200 to $220 billion, the value of the financial super-structure of bank deposits, government bonds, insurances and other liquid and non-liquid assets belonging to individual owners.

The total national wealth in 1946/47 was therefore between $630 and $670 billion.

By 1949, it was $684,245,000,000, according to a footnote under the table 'BILLIONAIRE CORPORATIONS' in the 1950 report to Congress of the Joint Committee on the Economic Report.

July 1, 1952, that, altogether, only 'one out of every sixteen persons in the adult population owned shares' and that those '6,500,000 stockholders were members of 4,750,000 family units'. But only 1,800,000 of them, in 1,350,000 families, own more than three shares, i.e., on the basis of average market prices, securities worth more than $144, or so.

More than half of the families in the lowest income groups had no life insurance, although their need for it is greatest; and millions of those who did had a few hundred dollars' worth of group insurance, just about enough for burial expenses. The ownership of life insurance in America has always been as heavily concentrated in the upper income brackets as savings, bonds and stocks. Yet, even in the prosperous post-war years, many insurance policies have lapsed or were being reduced or mortgaged by borrowing because their owners had overbought themselves under the pressure of clever salesmanship. The average holder carries his policy for only seven years, even though life insurance is usually taken out at a comparatively young age.

How little the main occupational groups succeed in protecting themselves on their own against economic hazards appears even more clearly from the following data of the Federal Reserve Board.

Of the unskilled workers, fifty-three per cent had no 'liquid reserves' whatever. The savings of the rest were so trifling that the Federal Reserve Board's analysis for 1948 put a significant '0' in the position 'median asset holdings' for this group. Among the holders of stocks and bonds, unskilled workers did not figure at all.

Of the skilled and semi-skilled workers, twenty-seven per cent had no savings, and thirty-four per cent owned only between $1 and $499. The average for the group was $250 per family, a little more than one month's wages. Only three per cent held some stocks or bonds.

Clerical and sales personnel, the large 'white collar' class, were only slightly better off. Seventeen per cent had no savings at all, and thirty-two per cent had $1 to $199. The average savings of the group were $500, and only nine per cent owned a few stocks or bonds.

Even among the 'managerial and self-employed', including small business as a whole, only twenty-four per cent owned savings of $5,000 and over and eighteen per cent had $2,000 to $4,999. The average savings in the entire group were a mere $1,500. Stocks and bonds worth $25,000 and more were held by four per cent, and $5,000 to $24,999 worth by another five per cent. Yet, 'the managerial and self-employed and the professional persons held somewhat more than two-fifths of total liquid assets', the Federal Reserve Board reported, 'whereas they composed no more than one-fifth of the total population.'

Conditions among retired people reflect still better the almost general lack of 'economic security through property ownership'. Those without any savings whatsoever were thirty-eight per cent of the total, and those without stocks or bonds eighty-six per cent. Including the seventeen per cent with less than $200, a fifty-five per cent majority of the men and women whom age or sickness or employers' prejudice retired from active life, possessed no capital reserves at all. At the other end of the scale, sixteen per cent had average savings of $5,000; four per cent had $5,000 to $24,999; and three per cent of the retired people also possessed $25,000 worth, or more, of stocks and bonds.

* * *

There are some other deep shadows in the rose-coloured picture of private protection against economic hazards.

One is the large debt of individuals which offsets a considerable part of their savings and other possessions. During the first three years since VJ-Day, 'the American public has gone into debt more rapidly than during any other period in our history', stated the Federal Reserve Board in August 1948. By 1950 an unprecedented residential mortgage debt of $61 billion was weighing heavily on American homes, according to the *Survey of Current Business* of the U.S. Department of Commerce. It was more than twice as high as five years before. Much of it 'was entered into at 90 to 100 per cent of the cost of the dwelling', wrote *U.S. News & World Report*; so that, 'in a period of falling prices, debt against large numbers of residences may actually be greater than the amount that could be realized from sale of the property'. Once the rainy day comes, this makes their 'own roof' an added danger for many, rather than a safeguard.

The total 'private debt' of individual Americans on their homes, instalment purchases, personal loans and loans on their farms and little retail shops, tools and professional offices, rose from $51 billion in 1944 to $94 billion at the end of 1949, and has been rising ever since. Already in 1948, 'most families paid out more than they took in', reported *Business Week* on December 24, 1949 on the basis of a sample analysis of consumer spending in three typical American cities by the U.S. Bureau of Labor Statistics. Only families with annual incomes of $10,000 had something left over at the end of the year. Only families with incomes of over $6,000 could make ends meet. The Secretary of Commerce stated on August 16, 1952, that the 'average city family', in 1950, had 'outspent' its income by $400, or about 10 per cent.

Even more detrimental to the value of 'privately acquired protection' has been the rise of prices.

During the decade from 1939 to 1948 the cost of living rose 72 per cent, and it never ceased to rise for more than a few months. In 1951, the dollar bought no more of the necessities of life than 54 cents did before the war. Measured in terms of food prices it was worth only 44 pre-war cents. Its purchasing power thus reached the lowest point since 1782, soon after the Revolution.

Inflation makes a mockery of security through thrift. For, when the owners of cash savings, government and corporation bonds, life insurance policies and pensions want to make use of them after a period of rising prices, their investments represent less in terms of food, clothing, shelter and so on than they were worth initially. And the historical long-term trend in the United States is for higher and higher price levels, as Professor Sumner H. Slichter of Harvard University stated, according to the *New York Times* of November 22, 1947: 'at 65, a man would always find the value of his nest egg worth but half of that for which he started to work at 25'.

Finally, there are the higher taxes of post-war years and the low interest rates earned by non-speculative investments, due to the chronic surplus of capital in the investment markets—all of which makes it more and more difficult even for people with relatively high incomes to save enough for retirement. 'To retire on $5,000 a year takes $112,000 in investments', calculated *U.S. News & World Report* on February 24, 1950; yet that large amount of capital, due to higher living costs, would provide only the 'old-age comforts that $1,500 bought in 1900', when a capital of $25,000 sufficed to yield that amount of annual interest.

Nothing can disprove more convincingly the theory that free enterprise is able to provide security for Americans. For there are probably not many more than half a million among the nation's forty-odd million families who have fortunes of over $100,000 and could hope to retire on their interest incomes. And fewer than one-and-a-half million people own enough capital to give them half this annual amount in interest.

Even many high-paid corporation executives find themselves in a plight. They cannot hope to save the capital they need for eventual retirement in the style to which they are accustomed. No matter how high their salaries and bonuses and how willing their boards of directors may be to raise them further, progressive income tax rates and inflation no longer permit the perpetuation of the high living standards of their families beyond retirement or death. In fact, those conditions no longer permit the perpetuation of the upper middle class itself in its old ways of accumulating capital as a source of interest income.

It is a strange twist of American social history by which the executives' own cry for 'economic security' has opened a slight breach in their solid front against 'mortal's chiefest enemy'.

'Pensions vs. Pay Raises As A Lure For Executives', *U.S. News & World Report* of June 2, 1950 summed up a trend that has been strongly developing after the war. The corporations now are forced to compete 'for management talent with pensions as well as with salaries'. They are able to do so at the taxpayers' expense since there is 'no tax on the money a company sets aside for an officer's pension'. As a result, they can and do 'save a lot of money by raising pensions instead of salaries for their executives'. The members of corporate management have thus reaped an enormous harvest of high pension contracts for themselves, at the very time when some labour unions began to insist on pension schemes for the rank and file.

Only a few corporations were already providing pensions for workers retiring on reaching the age limit of 65; and most of those few companies paid only infinitesimal amounts. Speaking of the U.S. Steel Corporation which often took credit for the pensions it gave to its 'family of workers', Philip Murray, the president of the United Steelworkers of America and the C.I.O., said on June 13, 1949: 'The community should know that this wealthy corporation now pays its aged workers an overall pension amounting to $5.83 a month. It should shock the community to know that this huge institution has the effrontery to send each worker at retirement a letter wishing him "long, happy" retirement. "Long and happy" on $5.83 a month.' By contrast, Mr Murray proved a short while later, 'steel companies had set up pension systems under which their top executives would receive retirement benefits up to $100,000 a year without any contribution by the executives themselves'.

This became known at the very time when the same steel executives denounced as 'socialistic' the recommendation of President Truman's Steel Fact-Finding Board that the steel companies pay the full cost of a new pension plan for the rank and file, asserting that this would make the workers 'lose their democratic freedom'.

Still, this embarrassing coincidence would scarcely have caused the steel companies and some large corporations in other industries to draw up pension contracts with some labour unions. There were deeper reasons for their acquiescence. *Fortune* magazine, often the intellectual mentor of the big corporations, had long been stressing these reasons: the need of forestalling the development of a 'welfare state', or 'socialism', by a few limited concessions to employees organized in strong unions. 'Viewed in this light, the pension controversy is not merely a problem but an opportunity', the magazine followed up its account of the steel executives' predicament. 'It is an opportunity to win the cooperation of labor by sound and attractive pension planning that will benefit not only the worker but the business for which he works.'

This is what happened. The labour leaders, anxious to satisfy their increasingly insecure and restless membership by obtaining pension contracts for them from some industries, gave Big Business the 'greatest opportunity on earth', as *Fortune* called this easy way of staving off 'socialism'. To some extent at least they helped 'free enterprise' divert America's political fight for comprehensive, state-provided social security for all the people on to the dangerous sidetrack of limited, corporation-provided security for a few.

Moreover, many of the union members who have foregone wage increases for the sake of a promise of 'retirement pay', and who sacrificed hundreds of millions of dollars on strikes to obtain that promise, will never reap the pension fruits of their victories. 'Only a relatively small percentage of employees'—Eugene G. Grace, chairman of the Bethlehem Steel Co. was quoted by *Time* on January 2, 1950—'will receive pensions, because the great majority of them either will die or otherwise terminate their employment before . . . pensionable age'.

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The social security needs of the American people are so great that they demand far broader solutions, on a national basis.

Particularly the needs of old people have been growing since America is increasingly becoming a nation of 'elders'. In 1929 those over 65 years of age were only about one in every twenty of the population; in 1940, they were one in every fourteen or fifteen; in 1950, one in every twelve; and by 1975, there will be one man or woman over 65 to every eight people in the United States.

Only one quarter of the eleven million old people are able to support themselves by their own work. One-fifth live on incomes from pensions, annuities and investments, to a good part penuriously. But the majority have to rely on relatives or friends and public or private charity. This is what an article in the *New York Times* magazine section of November 14, 1948 called 'the startling fact—that a good half of those beyond the retirement age are dependent, at least to some extent, on others'. And Dr Edwin E. Witte, commenting on the statement of a medical old-age specialist who promised Americans that 'in the visible future the already-lengthened average life span could be extended to 110 or 120 years', warned the National Conference on Aging on August 13, 1950: 'longer life would mean increased poverty and misery, since one-third of those over 65 now had no incomes whatever and three-fourths [of the rest] had incomes of less than $1,000 annually'.

From time to time, newspapers briefly note cases like this: 'Too poor to pay $25-a-month rent for a Staten Island cold-water flat, and too proud to ask for help, a seventy-nine-year old man hanged himself yesterday. He was found swinging on a clothesline in the apartment by his wife when she went to answer their doorbell—rung by a city marshal with an eviction notice.' (*New York Herald Tribune*, February 8, 1947); or letters to editors like this, in the *New York Times* of May 29, 1950: 'Between the bare existence of home relief, the inability to get work, being 64, and the useless existence—the gas chamber would be more hospitable. I have had four years of college, big experience in business life, am willing and eager to work, but not a hand is extended. . . .'

Little more than half of the labour force are covered by the national old age insurance which the New Deal forced through Congress during the depression. In 1949, barely one-quarter of those over 65 received insurance benefits, at an average rate of $26 a month—as much as the 'average American', according to the U.S. Department of Commerce, spends each month on clothing, transportation, telephone and newspapers. Old people who earned even as little as $15 a month forfeited this benefit, irrespective of the fact that they had paid for years the compulsory insurance premium of 1½ per cent of their wages.

Moreover, 'old age' starts earlier and earlier where job-finding is concerned: 45 is becoming a new age limit at which men often are no longer wanted. 'Employers consider the younger workers more desirable and better business, while the middle-aged group of job-seekers has been conspicuously abandoned in the midst of the fullest employment we have ever known', Industrial Commissioner Edward Corsi told the New York State Joint Legislative Committee on Problems of the Aging.

The pension contracts which the labour unions obtained for the workers of a few industries actually worsen the 'old age' problem of the middle-aged. 'Older workers, men and women, 45 and over, are in for trouble as job seekers', wrote *U.S. News & World Report* on April 7, 1950. 'Employers want to avoid "bad pension risks" . . . reluctant to hire anyone past 45, regardless of background. . . . 596,000 men (and 124,000 women) 55 or older want to get jobs and cannot.' A month later, the magazine drew the age limit of trouble even lower: 'those 40 and over, once out of work, are finding it hard to get back. Pensions are a big factor . . . the newest psychological barrier—one that will be increasingly important as pensions spread'.

Unemployment insurance, too, protects only about half the labour force, and benefits are paid only for relatively short periods.

In thirteen states the jobless have a right to benefit payments for a maximum of twenty-six weeks, and then only 'under certain circumstances'. In most of the other thirty-five states of the Union the maximum period is from twelve to twenty weeks. In one state it can be as short as two weeks. 'Two million workers in various parts of the country exhausted their insurance rights last year', reported the *New York Times* on March 27, 1950, referring to 'symptoms of a national unemployment situation that is giving increasing concern to Federal, state and municipal officials in all sections'. Even while it lasts, unemployment benefit is low. 'The maximum ranges from $15 to $18 a week, but in most states $18 or $20 is the top', stated the pamphlet, *Questions and Answers on Social Security*, of the Federal Security Agency; 'minimum benefits range from $3 to $14 a week'.

If people lose their jobs through sickness or disability rather than dismissal, all but a few are barred from getting unemployment benefits; for those risks are not covered by law in forty-four of the forty-eight states, and national health and disability insurance does not exist. Yet, 'there are at any one time about 4 million people of working age who are disabled', the Commissioner of the Social Security Administration said in April 1949, 'and about half of those—about 2,000,000—are permanently disabled'.

Other kinds of modern social insurance are more or less unknown in America. They are as ardently opposed by the believers in 'free enterprise' in human welfare as they are desired by the people. Moreover, most existing social security provisions are primarily the responsibility of the individual states rather than that of the Federal Government; so that the lack of state resources can always be used as pretext for stopping progress in the field.

There is of course 'relief'—public assistance—for those who are not too proud to reveal their poverty. At the end of the second world war barely two million people were on the relief rolls. But in the prosperous year 1948, 'the number of persons receiving public assistance reached a record 3,500,000', stated the Federal Security Agency on May 28, 1949 in a report about 'the accelerating note of desperation in appeals on behalf of old people and dependent children'. For, 'payments scarcely pay the grocery bill alone'.

'The statement that malnutrition among the people of the recently liberated cities of Europe was no worse than among those on home relief in New York City served to shock an emergency conference called by the Welfare Council of New York City to consider means of getting more adequate assistance for those on city relief rolls in the face of rising living costs', the *New York Times* reported on October 3, 1946. 'If anything, New York City residents under home relief did not do as well as the folks in the liberated cities of Europe', the paper quoted Dr Herbert Pollack of Mount Sinai Hospital.

In America, poverty always rises with peace and declines with war. It is not surprising, therefore, that the American Public Welfare Association reported on October 2, 1950: 'in the first sixty days of the [Korean] conflict relief loads in twenty-three cities declined 8.87 per cent [and even] 27 per cent in Camden, N.J.'

* * *

Private charity naturally exists in the United States; and much is made of it by those who oppose most forms of social insurance.

Eighty-two per cent of it is provided in individually small sums by people with incomes of less than $5,000 a year, according to the Russell Sage Foundation. Most of the credit for private charity, however, goes to the great and small 'foundations'. Some of them are financed out of the famous endowments or inheritances of wealthy persons like Andrew Carnegie who said in 1900, 'the man who dies . . . rich dies disgraced' and that the millionaire should be 'a trustee for the poor, intrusted for a season with a great part of the increased wealth of the community, but administering it for the community far better than it could or would have done for itself'.

Many more foundations have been created in recent years, both by individuals and corporations. There has been a veritable 'foundations boom' since the second world war. But it is impossible to find out how much actual good they do, either for the needy or for education, science and other purposes, and to what extent they serve to benefit the interests of their founders and administrators, at the expense of the taxpayer and the good name of charity. For much of this sphere is shrouded in obscurity, even though contributions to foundations, being tax-free, cost the nation hundreds of millions of fiscal income every year. 'A survey of American foundations has disclosed an unwillingness on the part of many to disclose information about their interests, operations and financial status', the *New York Times* of May 2, 1949 quoted the chairman of Raymond T. Rich Associates, a firm specializing in the field.

But an article in *Fortune* magazine of August 1947, showing readers 'how to have your own foundation', threw some light on this much-used way of dodging taxes and at the same time getting prestige from philanthropy. 'The law allows individual taxpayers to deduct up to 15 per cent of their adjusted gross income for charitable contributions. . . . By using the foundation device an individual wishing to give a full 15 per cent—and he is exceptional since the average wealthy person gives a scant 5 per cent—can get an immediate tax benefit without any immediate allocation of funds. He simply puts up to 15 per cent of his income into his philanthropic pocket book—the foundation that he controls—and he has fulfilled the legal obligation of parting with the money. . . . Once the money is in the foundation, the foundation is under no obligation to dispose of it within any time limit. Indeed the general practice is to leave the foundation principal intact and spend only the income, and sometimes even the income is not spent but accumulated.'

It is not only a considerable saving of taxes that makes it desirable for rich persons to freeze part of their wealth under the cloak of charity: in this way they can also perpetuate their stockholding control over corporations beyond their own lifetime, despite the threatening ravages of the inheritance tax. 'By transferring the securities to his personal foundation . . . the donor not only saves [tax] money on current spendable income, but keeps control of his asset, and actually does not give away 15 per cent but only the income on 15 per cent', *Fortune* continued. 'When death comes, the wealthy who have tilted with the tax collector all their lives, can elude him once more [on] up to 77 per cent of estate wealth. . . . You can't take it with you, nor can you leave an awful lot to your relatives, but you can leave it to charity. . . . A man desiring to pass a business on to his heirs may have to resort to the philanthropic foundation as a way out.'

Not only individuals but also corporations use the charity device to dodge taxes and make an additional profit: 'Business organizations, sick of paying high realty taxes, have found it cheaper to sell their fixed assets to tax-exempt institutions and then to lease them back again. . . . A few concerns have gone even further and sold their entire business to tax-exempt organizations and continued to operate them on a fee or commission basis, thus avoiding all taxes.'

These various ways of tax-evading charities are all within the lenient law. In *Fortune's* words, even those 'involving retention of stock control, are legitimate'; as legitimate as the frequent use by 'donors' of 'free research services from tax-exempt foundations they have endowed'.

Yet private charity, even if it were not misused, can never be a substitute for full, state-provided social security.

Every two years, therefore, when the campaign for the Congressional elections gets under way, 'Republicans and Democrats alike are polishing up some new social security promises, designed to protect you and your dear ones from the economic evils', as the *Wall Street Journal* put it on February 17, 1948; 'this little drama has become a traditional Washington performance in election years'. And it has been just as traditional for those promises to be forgotten by both parties once the new Congress was in office.

In post-war years it should have become increasingly necessary for those promises to be kept. For, as President Truman said in his Message to Congress of May 1948, 'It is especially important to strengthen our social security system at this critical time, when the false claim is constantly being made that democratic societies cannot protect their people from the economic and social uncertainties of modern civilization.'

Yet even the Cold War argument, so often used when Government or labour leaders try to induce Big Business to concessions to social progress, has had little effect. Federal old age pensions have at last been raised from their former maximum of $46 to $68.50 a month, with effect from 1952. But over one-quarter of the American labour force remain without governmental or private old age pensions, and all the other urgently needed social security measures have as usual been rejected by large bi-partisan majorities in Congress.

Business and Congress still refuse to 'furnish additional strength' to America's 'diplomatic attempts to oppose the spread of communism abroad by protecting our diplomatic representatives against the charge of hypocrisy when they laud the virtues of democracy against dictatorship', as suggested in a letter to the editor of the *New York Times* of May 12, 1948 about the shortcomings of the American social security system, that 'glaring fault in our democracy'.

* * *

On the contrary, corporate power has extended its campaign against the ideals of state-provided social security to the world scene.

The American employers' delegation to the International Labour Conference of 1951 did its best to discredit and undermine a proposed international convention on minimum social security standards, medical benefits, sickness and maternity allowances, unemployment compensation, old age, invalidity and survivor pensions. The United States 'could not meet many of these so-called minimum requirements', they told the conference; for 'in our country, thus far at least, government is the servant, not the master, of the people'.

This argument provoked 'vehement opposition and caustic criticisms from the labor and government representatives of other countries', the *New York Times'* Geneva correspondent reported on June 29. 'Privately, the reactions are even stronger. Persons from the poorer countries, employers as well as workers, are incensed by the United States employers' tendency to flaunt the high American standards of living and then lecture them on why only free enterprise can achieve such standards . . . increasingly resentful of what they regard as an American tendency to push American ideologies down their throats.'

The 'vigorous campaign' of the American employers' delegates against the proposed social security convention of the International Labour Organization even 'caused a certain amount of embarrassment to the United States government and labor spokesmen in their dealings with labor groups from the underdeveloped and Communist-threatened lands'.

For, not so long before, on December 10, 1948, the American delegation at the General Assembly of the United Nations had solemnly approved the Universal Declaration of Human Rights, which contains this clause: 'Everyone has the right to . . . security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control. . . .'

XV 'Big Labor' and Big Business

'American business is conducting a cold war against the American people.'

Philip Murray
President of the C.I.O.
June 13, 1949.

ORGANIZED LABOUR REMAINS THE MAIN HOPE OF LIBERAL-minded Americans for halting the fatal drift of the United States.

Only organized labour can unite the opponents of Big Business among workers, 'white collar' employees, farmers, small businessmen, professionals and intellectuals who have long been wanting a thorough reform of the economic order. Only organized labour can revive and lead and win the fight for the economic rights and security of the American people, without which, as Roosevelt said, 'there cannot be lasting peace in the world'.

The labour unions have developed much strength since the Great Depression, when they freed themselves of their old legal fetters and made it the declared policy of the United States 'to encourage the practice of collective bargaining and to protect the exercise by workers of full freedom of association and self-organization'.

In those two decades their membership has risen from three to sixteen million. Virtually all workers in coal, steel, transport and some other key industries are now organized. Their leaders have come to be acknowledged as 'labor statesmen', free to exert their influence in the highest councils of the nation. 'Big Labor' is able to claim equality in potential power with Big Business. To keep the balance between these two forces is now supposed to be the main task of government. And wherever, in recent years, organized labour has put up a really determined struggle, it has won against the vested interests.

Of the unions' post-war successes for their sixteen million members—one-third of all workers and employees in America—there can be no doubt. They have gained for them higher wages, a shorter work week, better working conditions than unorganized labour has been able to obtain, and in many cases also some old age pensions and other social 'fringe' benefits. They have transformed into normal communities a good many of the notorious 'company towns', where company-owned homes and stores, company-run schools and hospitals, company-controlled political party machines, company-hired police and company-appointed courts control the workers' lives in the interest of giant corporations. The unions have built up large treasuries and other property, totalling hundreds of millions of dollars, and many of them have developed co-operative health, educational and other welfare benefits for members.

Outside their own domains the unions have exerted some beneficial influence. A few of them, particularly during the relatively liberal early post-war period, have given clear expression to the need for economic reform. Some have seriously tried to support public policies favourable to labour as a whole. And their wage struggles have sometimes indirectly helped unorganized workers.

On balance, however, the unions have not yet been able to fulfil their historic tasks. They have failed to organize the rest of labour (over half of all manual workers and five-sixths of all employees remain unorganized). They have obtained some of the progress they achieved for their own groups at the cost of the other two-thirds of labour and of consumers in general, from whom business has been allowed to overcompensate itself by higher prices for the concessions it was forced to make to union labour. And they have therefore often antagonized the masses of the people on whose co-operation the real success of the cause of labour must depend.

A typical example was the great steel strike of 1949, which ended with a steel price increase of 4 per cent that overcompensated the steel corporations for the pensions the unions forced them to pay to workers at the age of 65. The people thus had to pay for these benefits; for, 'during the negotiations and the strike, the union said that the steel price was not its business', the *New York Times* reported on November 13. 'It was concerned with the welfare of its members.'

Worse, the unions have failed to lead the way to reform of the economic order, to use to the full their great potential power in the political field. On the contrary, they have bought what advantages they could get for their members at the price of letting corporate power consolidate its hold over the economy and the nation as a whole.

While winning many of the skirmishes for their members' wages, pensions and other benefits, they have thus lost every one of the great post-war battles with Big Business—those on the various points of Roosevelt's 'Economic Bill of Rights' and those on full employment, profits, prices and the political rights of labour as a whole.

With these battles, the unions have lost the entire campaign for economic change that was to secure peace through plenty for America and for the world.

These failures are due to the unions' traditional weaknesses. As in the past, their main activity since the end of the war has revolved around their own, narrow interests. As in the past, they have acted more often as each other's bitter rivals, rather than in unison, as a consolidated labour movement.

As in the past, 'the men in commanding places who have made labor policy'—*Business Week*, on July 23, 1949, had every right to say—are still 'moving within a compass of ambition limited to the next pay envelope or the next annual contract'.

The American labour movement developed under manifold handicaps. As elsewhere, the unions had to concentrate their initial efforts on the most easily organizable workers, skilled craftsmen whose relative scarcity value could best be used to enforce concessions on employers. Unlike the unions in most other countries, they also had to fight the competition of wave after wave of European immigrants. This made them doubly exclusive, doubly narrow in outlook, policy and organization.

Unionism grew largely in competitive, small-scale industries like the garment business, in which employers could not easily afford to grant higher wages and a shorter work week unless they, too, restricted competition among themselves and raised their prices against the public. It was therefore tempting for the unions to aid their employers in this task, teaching them the advantages of exclusivism and using labour's power, often even strikes, to make recalcitrant shop owners join restrictive employers' associations. This led to close union-employer cooperation within the narrow spheres of their common interests. It alienated organized labour still further from its unorganized competitors and from the public. It made the unions shun long-term aims and the political battlefield and accustomed them to seeing their main enemies in competing labour groups.

This, briefly, is the background and basic pattern of the majority of present unions, particularly their largest grouping—the A.F.L. (American Federation of Labor) with its 8 million members in 119 major 'international' and 1,176 'federal' unions, comprising among others 625,000 teamsters, 600,000 carpenters, 350,000 ladies' garment workers, 338,000 machinists, 250,000 railway clerks and 240,000 musicians.

The depression of the thirties gave a great impetus to the old demand inside and outside union ranks for a broader conception of the labour problem; for the unionization of entire industries, rather than mere crafts and trades; for solidarity between unions rather than labour-management groups; and for the use of labour's growing strength and its new legitimacy in the political field.

A split occurred within the A.F.L. and the outcome was the growth of a second large federation—the C.I.O. (Congress of Industrial Organizations) with a present membership of 6 million in 37 compact units covering entire mass production industries like steel and automobiles, the very strongholds of Big Business which had long kept their doors closed to all union efforts and waged brutal struggles against labour organizers.

For some time it seemed that a new spirit might take hold of the labour movement as a whole, that the broader outlook of the young C.I.O. might win out against the placidity of the A.F.L., that the two might soon reunite, attracting the still independent unions with their 2 million members into a homogeneous labour front, and that labour would thus be able, at last, to enforce the necessary reforms of the nation's economic order.

These hopes are as alive as ever in the rank and file, but still far from realization. Some of the A.F.L. unions have taken one or two steps forward in their attitude since the old days; but most of the C.I.O. unions have taken many steps back toward the old A.F.L. traditions in which their own leadership had grown up.

The rivalries for short-term advantages between these two great groups, within each of them, and between both and the independent unions, have continued to overshadow more vital considerations. The Cold War atmosphere has created much intimidation inside the unions and brought a surprisingly large part of their leaders into the Captive Audience of the opinion-making industries.

'Big Labor' thus remains disunited, absorbed by short-term issues and fratricidal fights, afraid of what might be termed radical thought. And it is easily appeased by the limited advantages which the corporations have been granting its main leaders—primarily because they do not want them replaced by 'radicals'.

These are the reasons why Big Business, while giving in on some of the unions' demands, has been so successful in defeating labour as a whole on every issue of national and world importance.

Labour's greatest defeat was on the issue of full employment.

* * *

The wartime dream of 'sixty million jobs' seemed fulfilled by 1948.

Labour appeared to have reached its great aim when up to sixty-one-and-a-half million people were actually listed as having jobs that year. Yet the dream proved too modest and its realization illusory. For, even during that last boom year of near-peace, of which President Truman later said that 'the number of people out of work was as low as we can expect it to be in peacetime', some 8 to 10 million Americans were wholly or partly unemployed.

Fifteen of every hundred men and women who needed and wanted a job or a fuller job were in fact victims of that 'serpent in our paradise', as John Maynard Keynes called the phenomenon of unemployment.

It is important to dwell in some detail on the state of unemployment in 1948, before the armament boom of the Cold War; for it illustrates the problems that would arise if, once again, the unreformed American economy had to try making its way in more peaceful times.

The low official estimate of 2,064,000 unemployed, at the time, was merely the visible top of the much greater iceberg of joblessness submerged in apparent prosperity. In addition, there were these further numbers.

Some 500,000 'temporarily unemployed, on the annual average, who neither worked nor earned because of 'layoffs' and similar causes. They were officially listed among 2¾ million persons 'with a job but not at work', most of the others being sick or on leave.

Some four million partly unemployed—i.e., the two-fifths of the total of 10½ million short-time workers who, according to the U.S. Census, wanted full jobs. Nearly 2 million had only '1 to 14 hours a week', of work, during a year when the cost of living was already so high that, at the other end of the scale, 6½ million men and women had to work 'from 55 to 90 or more hours' a week, usually on two jobs, to make ends meet. Moreover, in rural areas 3½ million entire families were chronically 'underemployed', wasting 2½ million unused man-years, according to a Congressional report of February 1951, and many of them were not even included among these 10½ million part-time workers.

Finally, 2 to 4 million jobless were hidden altogether—among the 46 million people of working age listed as 'not in the labor force'. They were 'marginal workers' who never had an opportunity to learn a useful trade or gain some experience, or whom employers would turn down for being too old, too rusty or too weak. They were not listed because they did not even register at the employment exchanges since they knew there were no jobs for them and that they could not qualify for unemployment benefits. 'Jobs are harder to get, so fewer people are looking for them. This paradox is the inescapable conclusion to be drawn from the latest Census Bureau report on the labor force', *Business Week* wrote on May 7, 1949. 'Unemployment isn't rising because marginal workers aren't seeking jobs.'

Once in a while some of those frustrated 'non-members of the labor force' find official recognition when seasonal or other opportunities make them appear briefly in a set of statistics called 'work experience of the civilian non-institutional population during the year'. It shows that fully 6 million 'non-members' of the labour force are only too ready to work when given an opportunity. Moreover, there could no longer be any doubt about their previous unemployment when part of them became active during the post-Korean armament boom, at least for some time.

But union labour was still relatively little affected in 1948; and few union leaders objected when business spokesmen minimized the issue of 8 to 10 million people without jobs, pretending that there were only 2 million of them.

Even those officially registered 2 million jobless, business spokesmen said, should not be labelled 'unemployed'. To do so would be no more justified than to call 'homeless' the crowds in the waiting rooms of railway stations. For, just as those crowds were only changing trains, the unemployed were merely changing jobs, no matter how long they might have to wait. Theirs was merely 'residual' or 'technical' unemployment, inevitable and essential in a free economy. As soldiers suffer in war so that the nation may be free and safe, those 'job-changing' millions only pay the American workingman's price of freedom from the tyranny of economic systems that know no unemployment because they more or less assign people to state-created, state-controlled jobs.

That 'price of freedom' however, was much higher in America than in the free enterprise economy of Switzerland: the United States, then, had 34 officially counted casualties of unemployment for every thousand jobs; while the Swiss, at the same time, had only 6 per thousand and nothing like America's vast additional joblessness.

But already by 1948 the days were over when ' "full employment" became such a fashionable goal that even conservatives climbed on the bandwagon, favoring it', as the *Christian Science Monitor* observed in July 1946. For the serpent of joblessness had been using its seductive arguments on the men of business and government.

'Certainly the idea of a good job for everyone who wants to work is appealing; the only question is . . . what the collateral effects will be', wrote the National City Bank of New York in its monthly letter of October 1946. 'It is one thing to assert that labor ought not to be subject to excessive competition of large numbers of unemployed, and another thing to assert that it ought to be relieved of all competition within its own ranks. . . . Human nature being what it is, a little competition is a good thing. . . . There is such a thing as making it too easy for people.' Senator Ralph Flanders, a manufacturer belonging to the liberal wing of the Republican party, expressed the same thought in a private speech reprinted in the *Congressional Record* of November 26, 1947: 'If the worker can leave one job without doubt in his mind as to whether he can get another, he will be much more confident and persistent in making wage demands than he will be otherwise. . . . It is clear that the existence of a body of unemployed would slow up this inflationary process. . . . Full employment, then, naturally results in inflation and inflation naturally results in depression. . . .'

The press eagerly reprinted European arguments against full employment. 'Full Employment Viewed As Drawback Because Labor Lacks Goad of Hunger', read a *New York Times* headline on October 12, 1947. Its London correspondent had 'heard the opinion that there is no hope of getting out of the present economic crisis until some unemployment spurs the workers to greater effort'; and an unnamed informant in Manchester reminded him, 'you know, there's an old Lancashire saying—it is empty bellies that make people work'.

* * *

The enemies of full employment did not hesitate to do away with the danger of 'too many jobs': Congress by abolishing price controls, curbing the rights of labour, and condoning the output-restricting practices of the corporations; and Big Business by driving up prices and profits, hampering the growth of production, and holding down the people's purchasing power for the goods they produced.

'A certain amount of unemployment, say from 3 to 5 million, is supportable', President Truman told Arthur Krock of the *New York Times* on February 14, 1950. 'It is a good thing that job-seeking should go on at all times; this is healthy for the economic body.'

Still, with its 8 to 10 million victims (including a mere 2 million in the 'official' category in which the President considered 3 to 5 million supportable), the serpent of unemployment had remained comparatively quiescent until 1948. It fed mainly at the fringes of the labour force, where society always lets it prowl at will. But soon it crept out into the open again. From the unorganized fields of labour it roamed into the industries where the unions were strong and the workers highly qualified. From 'marginal' trades and occupations and the homes of those millions who never knew what good times mean, it moved again into central employment areas that had for once seemed safely prosperous even in peace time. Out of the twilight zone of American life, where people suffer more or less unobserved, it emerged into the paradise of what was still called 'full or over-employment'.

In 1949, the average number of officially admitted unemployed rose from 2,064,000 to 3,395,000; the number of part-time workers from 10.4 million to 11.8 million; and the uncounted millions of frustrated would-be members of the labour force swelled further, in step with the annual population growth. The total number of wholly or virtually unemployed Americans was a good 2 million larger than in 1948, at least between 10 and 12 million people. With their families, those men and women who were prevented from playing their part in the nation's production and from obtaining their share in its wealth, were probably 20 to 25 million of America's 150 million people.

Such figures might have seemed implausible to outsiders in view of the prosperity so many Americans continued to enjoy. But it was not the first time that boom conditions disguised the existence of widespread joblessness, and with it a situation that must sooner or later lead to depression or the export of unemployment or larger armaments. 'It has been estimated that for the prosperous decade of 1919-28, on the average, 15 per cent of the industrial labor force was unemployed', Spurgeon Bell wrote in 1940 in *Productivity, Wages and National Income* (Brookings Institution); and that in the following depression decade 'this was more than doubled to an average of 35 per cent'.

By February 1950 the officially admitted unemployment figure even reached 4,684,000, so that the real total of the jobless probably was between 11 and 13 million.

The long-term prospect before Korea was for a more and more dangerous growth of unemployment—even if business activity would not have fallen off any further.

Firstly, because close to one million new workers are coming into the nation's labour force each year, while 'the United States is failing to create enough jobs for its fast growing population', as Secretary of Commerce Charles Sawyer stated in his report on the 1949 employment situation. (The population growth is now about 2½ million each year.)

Secondly, because there is a steady movement from the country to the cities. The ever increasing commercialization of agriculture diminished the number of individual farms by 718,000 from 1940 to 1950, i.e., by one-eighth of their pre-war total. It reduced the farm population from 29 million in 1940 to 26 million in 1947 and $24\frac{1}{3}$ million in 1950. And a Senate subcommittee estimated that by 1960 the number of farm owners, managers and agricultural workers would fall another 17 per cent, requiring $1\frac{1}{2}$ million new industrial jobs.

Thirdly, because of the steady rise of the workers' productivity. It 'usually increases by about 3 per cent a year, but last year it is thought to have zoomed up by as much as 4 to 5 per cent', the *New York Herald Tribune* reported on April 8, 1950. In many cases, the rise of productivity has been much greater: 'for example, through more efficient machines and methods, the automobile industry turned out 18 per cent more cars last year with 3 per cent fewer employees than the year before. And at Cumberland, Md., one of the distress areas, the Celanese Corporation plant, which used to employ 10,000 people, is achieving the same production with 5,500 people. . . . President Truman has said that if the country is going to keep ahead of increasing unemployment, there would have to be 2,000,000 new job openings this year. But officials say they aren't in evidence.'

The boon of a rapidly rising output per worker, for which the world envied America, was once more turning into a bane: 'Better productivity can be a hazard to the economy if we go on as we did in 1949—producing only about the same amount of goods, with fewer workers', *Business Week* stated on March 18, 1950. And official figures showed that from 1948 to 1949 employment fell 11 per cent farther than did production.

Technological unemployment has been returning to America—the mass replacement of men by new machines, which eventually must mean disaster in any economy unable to grow to the full measure of its people's capacity to produce and consume. Within four years, the number of unemployed might rise to 10 or 12 million, Leon H. Keyserling, chairman of the President's Council of Economic Advisers, warned on March 27, 1950, referring only to the visible top of the iceberg of joblessness.

But even the union leaders seemed to know of no constructive remedy. The A.F.L., according to its press release of January 11, 1949, was 'studying a proposal for a 30-hour week as a means of spreading employment and maintaining 60,000,000 jobs in the event of a slackening in the present business boom [since] a 30-hour week might guarantee a better distribution of the increased production stemming from mechanization of industry'. And Jacob S. Potofsky, president of the Amalgamated Clothing Workers, C.I.O., on May 15, 1950, made 'an urgent and pointed appeal to Congress to tackle the problem of unemployment by reducing the standard work week from forty to thirty-five hours'.

By 1949, the gnawing fear of joblessness was everywhere again: where the Friday crowds lined up at factory offices, afraid of finding in their pay envelopes the dreaded extra slip of paper; where men in their forties and fifties, on the suburban commuters' trains, would miss more and more fellows their own age, solid like rock and expert at their jobs but suddenly deemed too old; where girls and working wives discussed the ever-rising cost of living, wondering what would become of their families if they lost even one of the two or three jobs most families need to keep them going; or where college students read warning after warning on the blackboards that jobs were getting fewer for graduates in one field after the other.

Again, the fear of unemployment haunted Americans.

It followed them from work to shopping and the family tables, caught up with them at pool rooms, corner bars and baseball fields, by the side of their cheer-blaring radios and even in the soothing make-believe world of the movies. If some managed to shrug it off during their waking hours, that fear would still get hold of them at night, ridiculing their pathetic little day dreams of success, community prestige and carefreeness, fanning their worries about the things they needed but couldn't buy and the bills that were already overdue while they were still at work, and whipping up those secret dreads of failure, uncared-for illness, old age and death.

The Korean war and its aftermath, for a while, improved the situation.

Yet by February 1952, there were still 2,086,000 officially registered unemployed; 2,110,000 'with a job but not at work', 9,118,000 short-time workers. And the total number of full- and part-time jobs still was no more than 61,838,000—only a few hundred thousand more than in 1948, before the new flood of work-providing armament orders. Yet there were 3,500,000 men in the armed forces, over two million more than before Korea, who otherwise would also have been unemployed.

Despite the armament boom, unemployment once again became a problem, by no means only in industries that were short of 'critical' raw materials, but particularly in consumers' industries suffering from lack of popular purchasing power. 'Unemployment was increasing in twenty-one big industrial areas, despite the defense boom', the U.S.

Secretary of Labor reported on October 7, 1951, calling the 'development of pools of unemployment in a period of high economic activity a matter of concern. . . .' The *New York Herald Tribune* reported on February 2, 1952: 'Only lack of a market prevents a higher output in many civilian goods industries.'

On the horizon appeared the fateful questions: What will happen if armaments fail to prime the pumps of industry at an ever increasing rate? What if world tension should slacken and the volume of armaments decrease? How will jobs be created for the growing population, for the men and women machines replace in the plants and on the farms, and for the 'one out of every six able-bodied Americans' who, according to the Secretary, are now absorbed by the nation's military effort?

* * *

The rise of the corporations' profits is another measure of the magnitude of the post-war victories they won over labour.

During the last five years before the war, corporate profits amounted to $183 a year from the average American household.

In wartime they rose to $583 annually per household.

During the first five post-war years, they went up to $771.

In 1951 they were $1,020 for every household.

Before the war, corporate profits averaged $6.2 billion a year, as much as the people spent on medical care and recreation; during the war $21.5 billion a year, as much as the cost of all the people's food purchases; and over the first five post-war years $32 billion, as much as it cost Americans to run their Government, service the huge national debt, finance all Federal health and welfare and social security obligations, pay for all 'foreign aid' and for about half the huge cost of armaments. In 1951 profits were $44.5 billion, scarcely less than the total of the nation's vastly increased rearmament bill. Yet all this did not include the profits of unincorporated small business and the farmers.

The corporations' profits during the first five post-war years were more than one-and-a-half times as large as their entire capital assets had been at the end of the war. In a mere five years, they earned the equivalent of their plants, installations and other investments, plus an extra sixty per cent.

As their profits rose and rose, and with them prices and the cost of living, business tried to explain away the facts. To ward off the complaints of labour and its demands for lower prices, higher wages and more adequate social security, Big Business pictured itself as the nation's Cinderella.

'Would *you* work just for a tip?' asked the caption over typical full-page 'public service' advertisements of a machine tool concern. 'Waiters aren't very happy about it if they don't get a tip of at least 10 per cent. Corporations don't do as well as waiters. In 1947 corporations earned only 5.6 per cent on their total sales.'

Costly advertising campaigns of Big Business demanded 'A Living Wage For Capital, Too'. They were financed out of the taxpayers' money, for the cost of advertising is deductible from taxable profits, no matter whether it sells goods or opinions. The food manufacturers made a mere 4.2 per cent profit on their sales volume, the advertisements said; the iron and steel industry 6.6 per cent, the engineering industry between 6.3 and 7.2 per cent; and only the paper industry was as well off as the man with the napkin over his arm, earning a little over 10 per cent.

Had the corporations really meant to enlighten the public about the profits they derive from the average dollar customers spend on their goods, they would have admitted that profit sticks to the price of goods at each of the many stages of manufacture and handling through which they pass until the final product is eventually sold to the last buyer; so that the combined profit accumulated in the price of a can of apricots, a cooking pot or a harvesting machine is of course much higher than that shown in the food manufacturer's, the iron master's or machine maker's own profit rate. Official figures show that the corporations' profits alone (leaving out those of non-incorporated business and farmers) equalled 15 per cent of the total national income during the time when business claimed to have made only 5.6 per cent profit on its sales volume.

In any case, however, 'profit on sales volume' does not fairly answer the people's question about how much business 'makes'—in the sense that they themselves 'make' 2½ per cent a year or so if they invest their savings in U.S. bonds, or 3 per cent if they buy corporation bonds. This question concerns the profit made on invested capital. It is the same a banker or potential buyer asks a business firm when it applies for a loan or wants to sell its enterprise; the same a board of directors asks when it wants to judge the record of its corporation.

In these terms, typical average profit rates were 29.5 per cent for food manufacturers, 19.2 per cent for iron and steel makers, from 25.8 to 30.5 per cent in the engineering industries, and 33.8 per cent for paper makers. These are of course the rates of profits before taxes, which business considers misleading since the state, in post-war years, took about two-fifths of them. But they are what the man-in-the-street wants to know. For, to him, income is income; while the fact that everyone has to pay taxes is a matter that has nothing to do with how much he earns. And it is clear to him that taxes for everyone in America would be a good deal lower if the corporations' high-profits-through-high-prices policy did not continuously raise the cost of living and of government.

Moreover, these profit rates leave out the large amounts business puts into hidden reserves. The Temporary National Economic Committee found in the first and last such survey that from 1909 to 1937 the corporations admitted one-quarter less profit than they made; and there is every indication that they have not changed this practice.

* * *

These enormous profits result from the high prices which their concentrated power enables the corporations to charge the people. They could never reap such gains under conditions of really free enterprise and really free competition, nor under a fair system of government controls.

To end government interference with prices was the first post-war action of Business. The N.A.M. (National Association of Manufacturers) led this first battle of the Cold War at home against the O.P.A. (Office of Price Administration). The O.P.A. was stifling production and provoking inflation, the N.A.M. told the people in its propaganda campaign; it was killing the goose of 'free enterprise' that laid the golden eggs for America; its 'long-haired' New Deal administrators were driving the country into socialism.

In its advertisements, the N.A.M. gave labour and the public this promise: 'If the O.P.A. is promptly discontinued, the production of goods will mount rapidly and, through free competition, prices will quickly adjust themselves to levels consumers are willing to pay. . . . Prices will be fair and reasonable to all. . . . The great majority of American manufacturers are determined to produce as much as they can, as fast as they can, to sell at the lowest possible prices.'

The American people knew better. They forgot their grumblings about rationing and the inconveniences that go with price control. They demanded that O.P.A. be continued to prevent inflation and at the same time make it easier to help the starving world and build the peace. They were rarely so incensed and articulate as at the threat against O.P.A. Led by organized labour, they showered the President and Congress with protests, and opinion polls showed 73 to 85 per cent of the public in favour of continued price controls. 'The fight on O.P.A. in and out of Congress', wrote the *New York Times* on April 21, 1946, 'has now reached proportions of bitterness, stridency and obfuscation which have not been matched in years'.

But business won. O.P.A. was killed in June 1946. The year after its end, industrial production rose only 9 per cent, while the prices of industrial goods went up 28 per cent, three times as much as output. Senator Harley Kilgore, on September 8, 1947, charged the N.A.M. with 'breach of faith to Congress and the country', and the *New York Times* remarked a month later that the N.A.M. had 'cause now to regret some of its published statements'. But the N.A.M. regretted nothing. It started another propaganda campaign, telling the people that to remind business of its recent promises about low prices and high production meant following 'the party line of the "planners" who now are frantically trying to recapture the ghost of O.P.A. or some other form of managed economy'. In 1948 production rose only 2½ per cent, while prices went up a further 12 per cent. In 1949, production actually fell by 9 per cent, but the corporations did not change their prices, with the exception of those they raised.

This has been the balance of the years from the premature end of price controls to the Korean war: a volume of industrial output 20 per cent *below* the wartime peak; a price level of industrial goods 49 per cent *above* the wartime peak.

This was how inflation grew every year; how, incidentally, America took away from Britain and France one-third or so of the value of the loans she had given them; how America taxed all nations one-third of the worth of their precious dollar reserves; and how America became largely responsible for rising prices over most of the world—by letting the value of the dollar slip.

* * *

The corporations blamed labour for driving up wages and forcing business to raise prices. Year after year, this argument accompanied their battles against labour, to discredit the unions with the public and to hide the fact that the workers as a whole were producing higher and higher profits for business.

The average American manufacturing worker and employee produced $357 of annual profits for the corporations during the last five pre-war years—equivalent to 26.2 per cent of his average annual wages.

He produced $805 of profits during the average five war years, or 37.6 per cent as much as his wages.

He produced $1,171 of profits during the average year from 1946 to 1950, or 37.5 per cent of his wages.*

This means that the profits the average worker earns for his employer over a period of five to seven years equals the entire capital the employer has invested for the average job. For the total investment per wage earner in industry averaged $5,471 in 1943, according to the National Industrial Conference Board; and an N.A.M. release of June 24, 1949 put it at $7,700 per job, in inflated dollars, for 1948.

Hence the justification of the opinion that 'the accumulations of capital over the years have in fact involved deprivations of the rank-and-file worker'. *Economic Intelligence*, the publication of the U.S. Chamber of Commerce, prominently reprinted this statement in August 1948, adding only this underlined comment on its source: '*Not Karl Marx, but the Second Annual Report of the Council of Economic Advisers to the President.*'

Further, the real cost of labour to industry did not rise, as business alleged. It fell considerably, and its fall was one of the main reasons for the spectacular increase in profits.

This important development has been disguised behind the fact that wages, too, rose in terms of inflated dollars. During the period from 1947 to 1951, the full-time wages of manufacturing workers averaged $3,122 a year, against $2,517 in 1946 and $1,364 in 1938-40. But, to judge the relative cost of labour to industry, two other factors have to be taken into account: the progressive rise of the workers' productivity and the progressive loss of value of the dollar, on both of which the National Income accounts tell a revealing story.

The average manufacturing worker turned out 10 per cent more goods in 1947-51 than before the abolition of price controls in 1946 and 26 per cent more than before the war, in 1938-40. In 1951, his productivity was 9 per cent greater than in 1947-50, 18 per cent greater than in 1946, and nearly 35 per cent greater than before the war. To this extent, industry bought more and more actual labour output with each hour and day, each week and year of a worker's effort.

* From *National Income, 1951 Edition;* U.S. Department of Commerce. These figures are actually understatements since, for lack of details, the corporations' profits had to be compared with the number of all manufacturing workers, including those in non-incorporated business. (Non-incorporated enterprises accounted for about 5 per cent of profits in the manufacturing industries as a whole.)

At the same time, the manufacturers' dollar decreased in value—both in terms of the raw materials, fuel and equipment they bought and in terms of the goods they made and sold. On an average, their dollar, in 1946-51, was worth 26 per cent less than in 1946, and 51 per cent less than in 1938-40. In 1951, their dollar's value was 12 per cent below the average of 1947-50, 33 per cent below 1946, and 55 per cent below pre-war. To this extent, industry paid less and less in terms of substance for the workers' increased dollar wages.

In these two ways, the real cost of labour to industry has been progressively reduced in comparison with the cost of everything else that goes into the production of manufactured goods. The relative cost of labour during 1947-51 was therefore 15 per cent lower than in 1946, and 13 per cent lower than in 1938-40. In 1951, labour was 11 per cent cheaper than in 1947-50, 23 per cent cheaper than in 1946, and 21 per cent cheaper than before the war.

Still, the wage increases the corporations had to grant their workers under union pressure because of the ever rising cost of living were made the excuse for raising their prices and profit margins considerably more. Secretary of Labor Lewis B. Schwellenbach told Congress on December 2, 1947 how this mechanism works: 'Take the coal situation, for example. The average increase in the cost of a ton of coal because of the last wage increase was 50 cents. [But the coal corporations] increased the price of coal more than a dollar and blamed it upon the wage increase. I do not mind them raising their price, but I do say the public ought to know what really is behind these price increases.'

The public knew. In fact those price increases which business tried to justify by actual or ostensible wage increases, became a standing joke. 'I've come to ask for the increase in wages which has made it necessary for the company to raise the price of its products', a cartoonist of the *Saturday Evening Post* had a meek looking little clerk tell a grim-faced boss.

*   *   *

The workers' increased dollar wages might give the illusion that they were actually better paid after the abolition of price controls. But their wage dollars bought 24 per cent less in terms of food, clothing, shelter, etc., during the five years after the end of O.P.A. than before; and 59 per cent less than in pre-war years. Moreover, the workers produced more than ever before. They felt entitled to some benefit from their larger output, even if their increased productivity was not entirely due to improved skill and organizational speed up but also to new, labour-saving equipment. For wasn't that machinery bought out of the larger and larger profits they enabled their employers to make?

The workers' real reward for their production—i.e., the quantity of goods they were able to buy, as against the quantity of goods they produced—has actually fallen. In these terms, their real wages during the period 1947 to 1951 were 7.6 per cent lower than they had been before the abolition of price control in 1946. Business thus committed a breach of faith with labour, too. For it had promised better real wages, if only price controls ceased and labour raised its productivity.

It was small consolation to the workers that, for some time, they seemed at least somewhat better paid than before the war. For the average rise of real wages during 1947-50 above those of 1938-40—a rise of 7.4 per cent—was largely offset by higher tax burdens and the great cost to labour of the many prolonged strikes it had to fight. By 1951, even this gain was wiped out. The workers' wage reward, by comparison with their production, was 1.4 per cent lower than before the war and 13.8 per cent lower than before the end of price control.

One of the most significant developments of the post-war period has been that the total share the wage and salary earners received of the national income has fallen below that of pre-war years.

'The ratio of compensation of employees (to national income) has been steadily growing worse', the Joint Congressional Committee on the Economic Report stated on March 1, 1949; 'and it is again approaching the low levels of the most critical prosperity year in modern history, 1929 . . . which was so low and provided so inadequate a mass market for the goods then pouring out that more than three disastrous years of liquidation and bankruptcy followed'.

Yet the corporations' propaganda tried to deny these facts, too. 'Look how big a slice of the national income cake the worker gets', said their 'public service' advertisements, quoting official figures that give only part of the facts. In 1949, 1950 and 1951, for example, the 'slice' that went to the workers and employees (including the high salaries of business executives) averaged 64.4 per cent of the total national income. Another 19 per cent of the national income went to the farmers, professionals and owners of unincorporated small business. After deduction of a small share for 'net interest' received by various investors, all that remained for the corporations was a 'mere' 14.5 per cent. 'Look how little business gets of the "cake".'

But the popular press never pointed out how misleading this superficial picture was. And most labour leaders were anxious not to reveal the full extent of their defeat in the post-war battle for a higher workers' share in the national income by publicizing these figures.

Even at face value, their comparison with those of pre-war and war times show clearly the continuous decline of the share the workers and employees got of the nation's income. In the five pre-war years it was 65.35 per cent; during the five war years, 64.30 per cent; and during the first six post-war years it averaged 64.21 per cent. This seemingly insignificant loss to the wage and salary earners during the eleven war and post-war years adds up to over $20½ billion—one and a half times as much as the entire cost of the Marshall Plan.

But this is only a small part of their actual loss. For the number of workers and employees who received this diminished share of the national income has grown much more than that of all other population groups: 35 per cent more of them than in 1936-40 had to divide this 'slice' in 1941-5, and 28 per cent more than in 1936-40 had to divide it in 1946-51.

What the official figures reveal is that the workers and employees, per capita, have been getting between one-quarter and one-third *less* than their pre-war share of the national income—while the 'slice' the corporations have been taking has actually *grown* by more than half.

* * *

The corporations' final argument for their high-profits-through-high-prices policy is that, far from being harmful to the nation, high profits are a blessing for the workers and the people as a whole; for profits, according to business, are the natural source of fresh investment capital. Therefore, the more they grow, the more jobs can be created in new enterprises, the more goods can be turned out, and the better is the nation's economic health.

'Profit is far more important to workers than to owners, however falsely they are now persuaded to the contrary', the N.A.M. told Congress on November 9, 1945.

This is also the reason why the corporations claim that their profits must be protected against too much taxation. 'Present cut-throat taxes are bleeding America white as far as equity capital is concerned and if continued, will leave the country ready for a total state', an executive of the U.S. Rubber Co. was quoted on January 16, 1948 by an N.A.M. news release. 'Collectivism cannot beat us. It hasn't got the stuff it takes to scuttle 140 million capitalists. But it is hoping against hope that Americans will be blind enough and supine enough to let big government do the Kremlin's throat-cutting job.'

To prevent government from doing 'the Kremlin's job', the corporations have been using their political and ideological powers to shift more and more of the tax burden onto the shoulders of the public. Soon after the war they achieved the suppression of the excess profits tax, which should have been continued to fight inflation. During the time before Korea they saw to it that even the normal corporation taxes were eased. By various means, they had the personal income taxes lowered much more for large than small individual incomes. They exacted large special tax rebates from government. And they made Congress put into the tax laws more and more loopholes through which billions of corporation profits and other incomes escape the tax collector's grasp. 'Tax loopholes are written into tax laws deliberately by Congress', explained the *New York Times* on January 1, 1950, 'to help certain industries, organizations or kinds of economic activity'. Those loopholes did a good deal to increase the already very great extent of tax evasion by all but the wage and salary earners.*

Fresh capital for the corporations' expansion has always been supposed to come mainly from private, outside investors. It is still the approved economic theory, taught in the universities, that in America's 'free enterprise' economy with its emphasis on broadly founded joint stock corporations, business must rely primarily upon capital accumulated by those who save part of their dividends, salaries and wages, since it is the public's role to finance most if not all of the fresh capital needs of the corporations by buying their shares and bonds.

Why, then, is it that 'business now must look primarily to its own earnings for the money to carry out the improvements which are necessary if America is to keep itself strong and efficient?'—as James H. McGraw, Jr., president of the McGraw-Hill Publishing Company, stated in a 'public service' advertisement in December 1948. What had happened to force the corporations to raise most of the capital they need by taxing consumers with higher prices and workers with lower wage shares, and by making the Government help them in their 'internal capital formation' through lowering their tax burden?

Part of the answer is that 'many Americans, despite their dislike of Communism, lack enough faith in capitalism to risk their money on its ability to produce sustained prosperity', as Thomas W. Phelps of

* 'U.S. citizens report only this much of the money they make to the tax collector... wages and salaries 95%; dividends 76%; entrepreneurial income 71%; rental income 45%; interest 37%; total personal income 86%. . . . Over-all, during 1946 some $20 billion was received but not reported. If the same ratios hold, the present higher incomes will boost the amount received but not reported (and not taxed) to over $27 billion.' (*Business Week*, April 21, 1951.)

the Wall Street brokerage firm Francis I. du Pont & Co. was quoted by *Time* magazine on February 2, 1948.

'Risk-taking has long been regarded as one of the basic ingredients of the American success formula', the *New York Times* recalled on August 9, 1949; 'in recent years, however, the investment public has shown a diminishing willingness to put its savings into "risk" or "venture" capital'. Senator O'Mahoney told a Congressional Committee on December 4, 1949: 'The testimony of experienced men in the investment markets seems to indicate clearly that the majority of people with savings are more desirous of security for those savings than they are for large profits from new ventures, or even from old ventures. They are therefore investing most of their savings in government bonds, in life insurance policies, and in savings banks.' *Business Week* reported on March 25, 1950: 'Only about 12 per cent of people's savings has been going into "business investment" since World War II. . . . This is a far cry from the era of the 1920's when . . . half of people's savings were invested in business.'

* * *

This virtual investors' strike has not come about by accident. Nor is it due entirely to the memories of the disastrous Stock Exchange crash in 1929, which undermined public confidence in corporate business. Investors have additional reason to keep away from stocks; for, ever since the war, the corporations have clearly been preparing themselves for another depression; and, to create for this event a comfortable cushion of reserves, they have withheld from their stockholders an ever greater part of their high profits. In 1939, less than one-quarter of the corporations' declared profits were retained; but after the war, the corporations withheld nearly two-thirds of them.

The method of accumulating large reserves of undistributed profits is of two-fold advantage to the large, permanent and controlling stockholders. It helps them to keep their personal incomes down and thus allows them to escape the progressively higher tax rates they would have to pay if they drew their full profit share in the form of dividends. (Their incomes, as a rule, are anyhow above their spending needs.) Secondly, being 'insiders', they are in a position to benefit in other ways by having the undistributed profits work for them in 'their' corporations, for example to acquire control over other enterprises, and thus to carry further the process of the concentration of economic power.

The smaller stockholders, however, who are neither permanent nor controlling owners of the corporations in which they have invested, and most of whom need all the dividend income to which they are entitled, are bound to lose, whether they keep their shares or sell them. If they keep their shares, they lose the two-thirds of the dividend income due to them which is being retained by corporate management. If they sell their shares in the hope of recouping themselves by cashing in on the increased capital value of their reserve-enriched investment, they also lose. For the stock exchanges suffer from a chronic lack of buyers and share prices do not rise in proportion to the corporations' growing capital value. On the contrary, the desertion of the stock markets by many small and medium investors has led to a phenomenal lag in the prices of most stocks by comparison with the enormous profits of the corporations which issued them.

Its treatment of small stockholders is one of the ways in which Big Business has choked off its normal source of investment funds. But the corporations use the investors' strike, which they have provoked, as justification for ever higher profits from which to make up for the resulting dearth of 'venture capital'. It is a little like the story of the man who killed his parents and then asked the court for clemency because he was an orphan.

From the end of the war to early 1950 the corporations added the enormous total of $71 billion of new capital to their assets.

Where did this money come from? 'Stock sales produced only $5.1 billion', *U.S. News & World Report* explained on March 24, 1950. This means that a mere 7 per cent of the new capital was raised in the traditional way of taking new shareholders into the business or having old ones extend their holdings. 'Borrowing accounted for $26.3 billion', the magazine continued. This means that the banks, closely allied with many corporations and badly in need of employment for their growing, investment-shy deposits, provided 37 per cent of the new capital. But the bulk came from the capital levy which Big Business, through its high-profit-and-low-wages policy, imposed on consumers and workers; from the profits it withheld from stockholders. New capital from this source amounted to about 56 per cent of the total.

One should expect, in view of their complaints about the lack of outside 'venture capital', that the corporations would at least have set an example to wayward savers by investing every penny of their new funds in productive enterprises. But this has not been the case—at least until the Korean war and manifold government help provided some of them with a fresh stimulus to the expansion of their plants. Instead, the corporations hoarded huge liquid funds in cash and government securities, precisely like the individual savers whom they accused of shying away from investment ventures. The cash hoards of the corporations, nearly $26 billion by 1950, were twice as large as before the war. The additional funds they invested in government securities instead of putting them to work totalled $18 billion and were about nine times as large as during the last pre-war years.

'Business Has Cash—And Caution', stated the article of *U.S. News & World Report*. 'American corporations, as a group, are rolling in money . . . they hold $2.19 of current assets for every $1 of current liabilities. . . . Never before was the financial position of U.S. business so strong. Yet . . . caution, not the venturesome spirit that has characterized previous periods of prosperity, dominates business policies.'

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While Big Business has won its battles against labour and much of its campaign against the 'initiative-destroying welfare state', its own spirit of enterprise has yielded more than ever to fear and a craving for security.

Big Business has thus lost its last justification for leading the American economy, for standing in the way of those who, through reform, want to create security for all by using to the full the men, machines and money which corporate power cannot help keeping idle for the sake of its own illusory safety.

These facts, so evident before the Korean war, have since been overshadowed by the effects of the armament boom. But they will emerge again and demonstrate the ever-growing need for a thorough change of the economic order. They will reappear once the need to re-establish peace faces America with the disastrous economic consequences even of partial disarmament; or even if the huge current tide of rearmament, instead of rising further, should actually 'flatten out' by 1954 or 1955, as anticipated, if not before.

Will organized labour be ready by then to unite and to lead the nation in an attempt to oppose a new popular initiative to the dead hand of Big Business? In the meantime, will organized labour realize the dangers of war Big Business risks by trying to postpone the evil day of economic crisis with still more armaments? Will labour act to halt those dangers by insisting on economic reform?

To answer these questions, one would have to know how greatly and lastingly the hands and minds both of the labour leadership and of many of the rank and file have been paralysed by the Captive

Audience atmosphere and the political defeats organized labour has suffered in post-war years. But to judge this has been made extremely difficult through the regime of conformism and mutual suspicion which the leadership of labour has established in most unions. For under such a regime men's true beliefs are largely hidden from one another.

The outstanding political defeat of labour after the war was the passing of the Taft-Hartley Act in 1947. Its main purpose was to pave the way for the possible destruction of union after union in case of a depression and, in the meantime, to put organized labour on its best behaviour by this threat. 'Any time there is a surplus labor pool', *Business Week* in December 1948 summed up its analysis of the four main anti-strike clauses of the Act, 'these four provisions, linked together, can presumably destroy a union.' The labour leaders called it the 'enslavement law', 'pre-fascist', 'a disgrace to democracy', and it went into force over President Truman's veto. Yet they heeded Mr Truman's wish that they refrain from letting the outraged workers stage public demonstrations to support the Presidential veto.

Another of the purposes of the Act was to make the unions purge themselves of radicals in all strata of their leadership and rank and file. To enjoy their full rights, they were forced to expel any functionary who would not sign a 'non-Communist affidavit'. The presidents of some of the largest unions, although unsuspect of any leftist inclination or leftist past, at first refused to sign. But one after the other gave in. And since most of the labour leadership, while objecting to the methods forced upon them, welcomed the elimination from their organizations of Communists and all hues of radicals, the purge soon spread throughout the unions and took on the same witch-hunt character as in the colleges and universities, the entertainment world and government. 'I am surprised the labour unions have stood for this repressive rubbish, which makes genuinely liberal groups Communist', the *Daily Mail* correspondent commented from New York on September 27, 1950.

In this way, the unions not only lost a good number of their best New Deal elements, whom they need so badly to offset the narrow-minded traditionalists in their leadership; but their ranks were badly weakened in the battles with Big Business. The same Cold War hysteria and intimidation that grips every other stratum of the nation took hold of labour, confused its thinking and frustrated its action.

Prominent union leaders may still occasionally warn against those in business and government who consider war inevitable; but they are speaking the very language of the men they denounce, as in the typical case of Mr William Green, president of the A.F.L. 'We must have a showdown with Russia before world peace can be firmly established', he was quoted by the *New York Times* on July 24, 1951. On the one hand, they pay lip service to the feelings of their dissatisfied rank and file by statements like another one of Mr Green on August 23, 1951. 'We know who organizes communism', the same paper quoted him. 'It is not the poor fellow, not labor, not the soap box orator; but it is those who fasten this yoke of economic control upon the people of the nation.... "Reactionary" members of Congress and "big businessmen" were spreading economic chaos through inflationary legislation and helping to make communism possible in this country.' On the other hand, these leaders refuse to use labour's great potential strength to curb the powers of Big Business, and take advantage of the general hysteria to hold down the truly progressive forces in the unions in order to secure their own power.

On the world scene, they have been acting along similar lines. 'American labor leaders [who] often in the past have provoked charges of radicalism from management representatives in the course of strikes and negotiations'—the *New York Herald Tribune* correspondent reported from the Milan congress of the International Conference of Free Trade Unions on July 14, 1951—'but here at the I.C.F.T.U. convention they seemed frequently like arch defenders of free enterprise'.

It would not be surprising under these circumstances if it were true that 'the average worker is a bundle of fears, hopes and confusion' who thinks he 'knows the way to lick Stalin but not inflation', as *U.S. News & World Report* on November 16, 1951 described 'the way this average man's union leader sizes him up when the leader drops his guard and talks frankly'.

But the rank and file of American labour proved in the Great Depression of the thirties that, in a serious crisis, they know their strength and the direction in which they must try to press their leadership.

Part Four

THE GLOBAL CHAIN REACTION

XVI America's Impact on the World

'We today are bringing on the next war. We may not yet see clearly our own tendency to become provocative. But it is there—a bland refusal to inform ourselves on the real issues, a willingness to accept superficiality, prejudice, hysteria and mere arms as a complete substitute for any other approach.'

U.S. News & World Report
March 17, 1950.

'The world is different than we in America have thought. The plain fact is that the world is in a revolution that cannot be bought off with dollars. If we continue our present foreign policy, especially in Asia, we are doomed to disaster.'

William O. Douglas
U.S. Supreme Court Justice
February 14, 1951.

ONCE THE SOVIET UNION WERE 'CONTAINED' OR DEFEATED, THE way would be open to worldwide peace, prosperity and progress: this was the premise on which America, during the five years before the Korean outbreak, spent $100,000,000,000—some thirty-thousand million dollars to win friends with gifts and credits, and nearly seventy-thousand million dollars to influence people with her military strength.

One-hundred-thousand million dollars, that is one-third as much as it cost the United States to fight the second world war; twice as much as all her Lend Lease supplies to the allies were throughout the war; two-fifths as much as America estimated the total national income, over that entire period, of the Soviet Union, whose power these expenses were to outbalance.

Their aid to friendly nations, Americans were promised, would give them strong fighting allies. But, 'Billions Buy Few Allies For U.S.—Dollar-Fed Peoples Hope To Sit Out A War', *U.S. News & World Report* warned on March 10, 1950. ' "Cold War", warming up, finds U.S. pretty much alone against Russia. . . . All talk neutrality. . . . In a showdown, nobody wants to fight.'

Their aid would make Western Europe strong and self-reliant. But, 'Western Europe today is like Humpty Dumpty', *Business Week* wrote on April 22, 1950. 'Not all the King's horses and all the King's men could put Humpty Dumpty together again. . . . Europe is in process of disappearing from the political map of the world . . . incapable of independent political or economic action, incapable of supporting itself or defending itself.'

Their aid would turn mankind away from the Soviet world and Communism. But, 'Which Way Will Broken Europe Turn?' remained the question the magazine asked after those five years and hundred thousand million dollars; for, it was feared, Western Europe might still 'cast its lot with Russia, where its natural economic ties are'. 'More of the world's people are pro-Communist than pro-American for the first time in history', *U.S. News & World Report* stated on February 24, 1950. 'Balance of power in the world is tilting more and more Russia's way.'

America's friends even blamed her for the fresh drift to war: 'underneath the surface, tide of opinion is running against the United States in both Europe and Asia', the magazine reported on June 9, 1950. 'Resistance to U.S. ideas is growing. Irritation with U.S. power and behaviour is mounting. U.S. popularity overseas is fading. New U.S. idea, *all-out "cold war"*, is unpopular even with people who have most to fear from Russia. . . . Average person on the Continent, or around the rim of Asia, is backing away from war. He wants no part of it. And he's beginning to blame the U.S., rightly or wrongly, for pushing the world toward World War III.'

The basic reason for these disappointments has been recognized only by a few in the United States. It is this: as long as America fails to curb the power of Big Business over the nation's might and mind, as long as she fails to fight the danger of depression with reform of her economic order, America cannot help taking much more from her friends and allies, in terms of their economic progress and real security, than she gives them through grants and loans and military aid. So that, on balance, every nation in the world has been faring worse than it would have done with less American aid, if only the United States had put her own house in order.

For, to protect her outdated economic system against the world tide of reform, America has been forced to hinder the march of change in other nations—instead of being free to encourage the progressive forces behind Labour Socialism, 'popular front' regimes and national independence movements, with which so many nations were trying to help themselves and to contribute to building a better, safer world.

To dispose of her surpluses of goods, America must try to outrival all commercial competitors with her superior economic might, to subordinate to her own interests those of the nations she has been aiding—instead of being free to let them develop their production and trade according to their needs, and to throw open her own enormous markets to their products, so that they may earn the dollars for the purchase of more American goods.

To stem the threat of depression, America has been forced to consider armaments as a 'pump-priming' device for her economy, to use the resulting growth of international tension as justification for still more armaments, and to drive herself, her friends and foes into an ever faster and more harmful arms race.

To protect herself against the Soviets' counter-moves, America has been forced to try converting the United Nations into a worldwide alliance against Communism—intensifying the dependence of the non-communist world upon her aid and upon the drift of her domestic economy and her politics.

America's best friends have feared nothing more than this. 'One of the European master-masons of the Marshall Plan' told the *New York Times* on December 12, 1949, 'that what he feared most was not that United States aid would end in 1952 but that it would continue. He was was not being paradoxical. Europeans do not want to go on being dependent. They fear that the United States, instead of making the necessary adjustments in its own economy—instead of making some of the sacrifices for the general good it is urging Europe to make—will go on trying to buy its way out of the mess into which two world wars plunged the Western world.'

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America's impact on the world is compounded of the helpless drift of her economic order, the reactions it must provoke in the outside world, and the international policies which that drift and those reactions must, in turn, impose upon the United States.

Already during the decisive early post-war years it was not so much the threat of Communism as America's failure to reform her economy, which led to the need for the Marshall Plan and the circumstances that were bound to make a Cold War weapon out of the useful idea of an international assistance project.

The Cold War became inevitable immediately after VJ-Day, when Big Business in the United States enforced the premature abolition of rationing and price controls and sought its own safety from the danger of depression in curbing the nation's productive capacities.

Shortages thus became greater and more prolonged than necessary. The resulting rise in prices diminished by one-third the value of the world's large dollar reserves and of the allies' new American loans.

This loss cost the world about half as much as the Marshall Plan later gave to Western Europe. The American price rise spread inflation throughout the world. All countries had to reduce their purchases of dollar goods below their needs, greatly upsetting their recovery plans.

It required only the crippling accident of Britain's icy, snowy winter of 1947 to bring to a head the economic, social and political crisis of Western Europe, which might have been avoided had the United States promptly adapted her economy to her worldwide responsibilities as the only economic victor of the war.

America's opposition to economic, social and political change in the outside world made matters worse.

Despite the mildness of the reform movements in Britain and many other European nations, American Big Business considered them as a major danger to itself. For there was no telling how far they might be driven by popular enthusiasm; how much further they might restrict the world scope of American 'free enterprise'; how greatly they might affect America's trade supremacy by enabling her allies and ex-enemies to develop close economic co-operation with the Soviet Union and the new 'People's Democracies'; how much they might influence the social and economic concepts of the new United Nations; and, particularly, how powerful a stimulus the success of reform in Britain and elsewhere might give to popular demands in America for a change of the economic order.

The initial dependence of much of the world upon American relief and reconstruction aid was used from the beginning to discourage economic unorthodoxy wherever possible and to weaken the forces that inspired the reform efforts abroad.

This was one of the reasons why Lend Lease assistance to all allies was abruptly ended the day after the war; and why, on September 18, 1945, ex-President Herbert Hoover, in the name of business, formulated before the Executives Club of Chicago 'certain policies, certain safeguards, certain limitations we should observe in making any further commitments'. America, he stated, could not afford to waste her resources 'to subsidize social experiments'. On the contrary, she must make certain to derive 'some indirect benefits' from the post-war aid she was to give the world, and 'must have some protection from socialized foreign trade'.

Bernard M. Baruch, another influential 'elder statesman', insisted: 'we must be careful when we give aid to other countries, that this aid is not used to nationalize their industries against us'. Even Walter Lippmann implicitly accepted the premise that America must aim at the defeat of economic change abroad when he argued that stalling on loans or refusing them would 'only provoke Europeans to go faster and farther toward planned self-sufficiency within a closed system which American businessmen and financiers cannot interfere with'. Henry Morgenthau, Jr., Roosevelt's former Secretary of the Treasury, took the same basic approach. 'The problem', he said, 'is not to brow-beat or cajole the British into embracing the system we desire, but simply to make it feasible for them to participate in it.'

From the very end of the war, America used all these methods to have other nations embrace the system she desires: of stalling on loans when they resisted, granting the loans when the desired conditions were obtained; and of making it feasible, in the sense of making it inevitable, for Britain, France and others to participate in a world economy which American business was doing its best to reshape in its own image.

America soon halted, reverted, or involuntarily revolutionized the process of economic reform abroad, in alliance with the old vested interests everywhere that opposed their own nations' trends away from private enterprise. 'To be sure, as a general rule, the wealthy population of Europe looks to Washington for its salvation,' C. L. Sulzberger, the chief foreign correspondent of the *New York Times*, wrote on June 23, 1946; and the enemies of reform did not look in vain to America for the succour they needed.

Recovery all over Europe and elsewhere suffered from the vacillations of the American economy and the combined American and internal pressures that were brought to bear on unorthodox regimes.

Where they were heterogeneous and highly vulnerable, like the war-born 'popular front' alliances in France and Italy, the early damage was fatal and lasting, politically as well as economically. Dissension mounted with privation, relative unity yielded to open strife, and the ground was laid for the nations' political and economic helplessness that has continued throughout the Marshall Plan period and beyond.

Where the regimes were homogeneous and strong, like that of Labour in Britain, their inevitable post-war difficulties and frustrations were unnecessarily intensified. Their domestic policies were laid open to much undeserved criticism at home, which conveniently ignored the harmful American impact and tried to prove their incompetence. The people's enthusiasm for active participation in the reform work was dampened, together with their hope for success. Thus, the course was set for the gradual revival of conservatism, first within the Labour Party itself and then over the nation and the Commonwealth as a whole; so that Britain, New Zealand and Australia were made to help rob the world of its early post-war hope of peace and progress through economic and social reform.

Finally, where the new post-war regimes were 'People's Democracies', as in Eastern Europe and what then was a mere half of China, the American impact was bound to foster in them their revolutionary and counter-revolutionary, rather than their evolutionary and conciliatory potentialities; to intensify internal strife and make them into objects of international conflict, rather than to strengthen them as bridges between the capitalistic and communistic systems.

This was the second line of development, parallel to that of American inflation and depression dangers, which led to the need for the Marshall Plan. It was the second reason why the basically sound project of a European Recovery Program became so different in practice from what it should have been: an early, full and unconditional payment by America of the debts which, morally, she owed her wartime allies; a business-like clearing of the inter-allied accounts of gains and losses from their common enterprise of war—whose balance in favour of her allies is many times greater than the loans and gifts America eventually granted some of them, with much delay and under onerous conditions.

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When the European Recovery Program was launched, it had two major additional purposes: to protect America against depression dangers; and to fight the battle of Big Business for the prevention of reform at home and the gradual restoration of free enterprise abroad.

'Government pump priming is to be started on global scale', *U.S. News & World Report* wrote on February 27, 1948 when the Marshall Plan started, pointing out that this priming of the pumps of American business was almost twice as large as the domestic 'make-work' projects of the New Deal period had been in the thirties; and that it would put 'the U.S. in a position to direct production and business activity for much of the world'.

The E.C.A. (Economic Cooperation Administration) became the main instrument of America's endeavour to turn back as much of the world to as much private business control as possible. 'The influence of the American administrators of E.C.A. on the changing pattern of Europe is one aspect of the Marshall Plan that has not been sufficiently noted. . . . Nothing quite like these economic missionaries has ever been let loose on the world. Certainly no group has ever had such power in the economic affairs of other countries', the *New York Times* wrote on May 2, 1949.

The chief of those 'missionaries', Paul G. Hoffman, qualified for his position of E.C.A. administrator by frequent professions of hostility toward any economic order other than that of 'free, private enterprise'. When he was still president of the Studebaker Corporation, he stated, according to the *New York Times* of May 14, 1947, that loss of personal liberty is not only 'an obvious feature of totalitarian states'; but, referring to Britain, that 'the danger of such a loss is ever present in all collectivist economies, including the Socialist'; and that 'the case against Socialism is not as obvious but it is just as strong'. 'As the final arbiter of the validity of European recovery projects', in the words of the same paper a year later, Mr Hoffman 'warned the British Labour Government there would be no loans for modernizing industries in process of nationalization in that country'.

Opposition to economic reform became the unwritten law of the Marshall Plan organization. 'The spread of Socialist autarchy to Europe, said one official, "is something we must be stubborn about"', *Fortune* magazine wrote in August 1949.

This American pressure was so strong and so successful that 'even United States officials long familiar with Europe' were reported by the *New York Times* on November 22, 1949 to be 'shocked at the extent to which private groups have stepped in to regiment European business during the past year as public controls have been lifted or have withered away'.

America's attitude toward economic reform in the 'backward' two-thirds of the world has been different only in one respect. Wherever an outdated, medieval *status quo* evidently needs change to increase business and investment opportunities, it is desired; but it should be toward more, rather than less, freedom for private enterprise. It should provide a 'favourable climate' for U.S. investments, free from clouds that threaten the nationalization of any industries or the submission of business to government planning.

Two old presidential doctrines have continued to determine American action in international affairs: President William H. Taft's doctrine that, 'while our foreign policy should not be turned a hair's breadth from the straight path of justice, it may well be made to include active intervention to secure for our merchandise and our capitalists opportunity for profitable investment'; and President Calvin Coolidge's doctrine that 'the person and property of a citizen of the United States are a part of the general domain of the nation, even when abroad'.

The Charter of the United Nations made such principles more obsolete than ever, but they were soon reaffirmed in new wording and in action. 'The time has come when the United States should give greater support to foreign investments of its nationals in strategic minerals that are in short supply', William L. Clayton, Under-Secretary of State, announced according to the *New York Times* of October 26, 1946. 'What happens to American investments in such sources has become a matter of national welfare. . . . No, this did not mean imperialism. . . . "Dollar Diplomacy"? He was amused at the term. "We never did have it".'

Sumner Welles, Roosevelt's Under-Secretary of State, reminded his successor on November 6, 1946: 'We have, of course, pursued an economic policy of "dollar diplomacy" under many administrations. . . . Mr Clayton's statements can only be logically interpreted as meaning that this government is planning to return to the Coolidge doctrine . . . which threatens to infringe the sovereign rights of the peoples of other countries.' And this was what happened since the needs of American business required it.

'A new kind of dollar diplomacy', the *New York Times* reported on November 17, 1946, 'was clearly enunciated in a series of addresses delivered by distinguished leaders . . . at the Thirty-third National Foreign Trade Convention. . . . Acceptance of this new doctrine and willingness to incorporate it as a basic formula in our incipient foreign economic policy was implied in speeches by some of the Government officials who will largely be responsible for its implementation.' This new dollar diplomacy soon proved, as this report predicted, to be 'based on exploitation of underdeveloped or industrially weak nations . . . on the assumed responsibility by American businessmen and their Government to establish our free enterprise system in other nations of the world'.

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In all these ways, the non-Communist world was more and more closely tied to the drift of America's unreformed economic order.

'The solution of Western Europe's currency and trade problems was seen as depending more upon the United States' domestic economic policies than upon anything the Europeans could accomplish alone . . .' the *New York Times* of September 12, 1949 quoted the National Planning Association which appealed to Americans to stop the drift to fresh disaster with a comprehensive American reform plan 'to unleash the vast energies and the great productive facilities of this country in order to make it a better home for all our citizens, and thus to promote the well-being of the civilized world'. For, 'if a comprehensive plan for building a better America could be put into operation with full public support, unemployment would cease to be a problem, the fear of depression would vanish, and with a rising national income a greatly increased market would develop here, not only for the products of our own factories and fields but for countless articles of European manufacture and for the raw materials of the rest of the world.'

But since nothing of the kind was done, and since neither the Marshall Plan nor the large volume of pre-Korean armaments sufficed to keep up business, America drifted into the recession of 1949—which, in the nations dependent upon her, took on the proportions of a minor economic crisis. 'The American recession is disclosing how deep, how difficult, how insoluble by our present policies and devices, is the problem of European recovery', Walter Lippmann wrote in the *New York Herald Tribune* of June 17, 1949. In America's own economic activity the total decline in nine months of slump was 'less than five per cent', Charles Sawyer, U.S. Secretary of Commerce, stated on March 9, 1950; 'yet imports into the United States from Britain, Western Europe and their dependent territories fell by 10 per cent in the first quarter . . . by 32 per cent in the second, and by 38 per cent in the third'—sufficiently to provoke the 44 per cent currency devaluation in Britain and the Sterling area; an event which, in turn, was used for the propaganda purposes of American Big Business, as 'proof' of the incapacity of any economic order but that of 'free enterprise'.

America's trade policies bear an even greater share of responsibility in the world's ever-rising crisis than did the American recession. 'The United States must double the current volume of its imports from Western Europe by 1951 or concede failure of the Marshall Plan', Paul G. Hoffman stated before the Senate Appropriations Committee on June 24, 1949. And the Export Managers Club of New York was told by a prominent member that the nation 'must substantially increase imports from friendly countries . . .' or it would soon 'be in the business of importing atomic bombs, shipping and duty prepaid'. This theme was frequently elaborated, but without effect. America continued resisting foreign imports and, all over the world, intensified her competitive struggle against the allies she wanted to help.

Moreover, the gradual revival of the old economic order in Europe was bearing fruit. There, too, the familiar phenomenon of glut in the midst of need began to reappear. 'Before any significant improvement in living standards could be achieved for the masses of Italy and France, "over-production" is being discussed in the steel industry . . .'

the *New York Times* reported on December 11, 1949. The problem of markets became so acute that 'almost without exception European and United States officials and statesmen close to the inside workings of the Marshall Plan feel that it stands at a point of peril and is in imminent danger of failing'.

About six million tons of steel capacity were idle in Western Europe before the Korean outbreak, and it was freely predicted that the glut of steel would grow further, despite the crying need in every nation for more steel and all that is made of it. 'Europe's biggest glut in coal and coke since the depression of the early 1930's' was reported by the U.N. Economic Commission for Europe in March 1950. And similar dangers began to develop in other industries.

Unemployment, open and hidden, rose steadily almost everywhere in Western Europe—a grim foretaste of worse to come. And the French Finance Minister spoke virtually for all of the old world when he told the National Assembly on June 21, 1950 that the economy of France had once more become 'stagnant'.

'It will take fifty years for Europe to come back to where she can buy and pay for what they need from us and service already existing loans', Paul G. Hoffman told the House Foreign Affairs Committee on February 24, 1950; 'by 1953 those countries will barely have their noses above water and I don't see any substantial improvement in the picture for the next decade.'

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The people of the 'backward' regions, the majority of mankind, fared even worse than Western Europe.

'Two out of every three' of them still 'suffered premature death for lack of the primary necessaries of life', said Lord Boyd Orr, the former director general of the Food and Agriculture Organization in December 1949, reminding the 'advanced' nations that 'world peace must be based on world plenty'. The American Conference on Nutrition, at its meeting in Brazil in June 1950, stated that of the world's people 'two-thirds are hungry—and the worst hit are in Asia and Latin America'. An official of the World Health Organization told the Conference that even in Latin America, the 'backyard' of the food-surplus-worried United States, 'chronic hunger affected about 70 per cent of the people'.

The world's income 'is now less evenly distributed than before the war', and 'the difference in standards of living is bound to grow larger rather than smaller', the U.N. *World Economic Report* stated in February 1951.

This is why Asians, like people everywhere, asked America 'to talk less of war, more of peace, prove it by extending economic aid to Asia in a big way, fast', as *U.S. News & World Report* wrote a few weeks before the Korean war, on June 9, 1950.

The nations of backward Asia received virtually none of America's bounty of government grants and credits, and relatively little technical assistance. The main exceptions were Japan, which was aided with over \$2 billion, and Kuomintang China, whose civil war was financed with over \$3 billion worth of American arms, supplies and funds.

Even of the \$4 billion 'direct' foreign investments American business corporations made since the war—mostly in their own enterprises abroad—Canada and the industrially advanced member nations of the North Atlantic Pact received the lion's share.

In many of the backward regions that received 'Point IV' technical assistance and private investment capital from America, the effect has been for these potential blessings to do much actual harm to the ordinary people—as such aid is bound to do where it is not preceded or accompanied by political and economic reform that uproots medieval privilege, proceeds with the fervour of a mass movement and seeks genuine progress in social planning in the interest of the majority.

'The gap between the wealth and power of sixty to one hundred families and the rest of the nation is increasing at an astounding rate as a result of the application of modern machinery and technical assistance . . .', wrote the Damascus correspondent of the *New York Times* on August 13, 1951 about the typical impact of modern American methods of mechanized farming on Syria; for, without the necessary political change, these innovations were only 'strengthening Syria's feudalism'.

Equally typical is the case of Venezuela, where American business invested heavily in large oil and iron ore deposits. 'Several thousand huge family fortunes' resulted, while 'almost none of this wealth is distributed among the population at large', the *Atlantic Monthly* reported in May 1950. On the contrary, 'the poor in both country and city are harassed by chronically inflationary prices caused by excess prosperity at the top'. The U.N. *Survey of Economic Conditions in Africa* of February 1951 gave a warning that purely business-oriented investment in the production of raw materials for export 'may lead to one-sided development' in backward nations, unless there is at the same time 'fruitful exploitation of resources for internal needs'; in which, naturally, foreign capital does not engage.

The inherent inability of Big Business to foster social progress in backward regions, and the inevitable harmfulness of most technical assistance on socially unprepared ground, are not the only reasons why America has failed to benefit the backward nations. 'Millions of the peoples of the earth are trying to do today for themselves and their children what our forefathers did for us in 1776', U.S. Supreme Court Justice William O. Douglas said in a speech on November 12, 1950; and 'it will be shameful if, when the history of the period is written, America is credited with suppressing these struggles, with aligning itself on the world scene with reaction, tyranny and oppression'.

Yet that is what has happened everywhere. A year later, on December 15, 1951, in a speech at Atlantic City, Justice Douglas criticized the Government for supporting with loans and grants 'corrupt and reactionary regimes' and giving 'feudal systems strength and vitality to perpetuate the causes that breed communism'.

It has happened where colonialism is concerned. 'America's wartime propaganda led Asia to believe that, with the coming of peace, the U.S. would champion colonial demands for independence', *U.S. News & World Report* stated on October 1, 1948. 'Instead, the U.S. adopted a course that is alienating millions and playing into the hands of the Communists'.

It has happened where nations gained their independence, where America had the choice of using her influence for or against the needed social and political reforms that alone would give substance to new-won national freedom.

Korea was the tragic test case.

'President Truman realized more than four years ago that Korea was "an ideological battleground upon which our entire success in Asia may depend",' his former adviser Edwin W. Pauley told the Senate Armed Services Committee on August 3, 1950. He quoted the President's judgment of 1946 which, had America been able to make it the basis of her policy, would certainly have prevented the Korean war and all it implied for the world. 'The furtherance of our policy of winning Korean support for our concept of democracy and for our programme of action within Korea can be effective in facilitating agreement with the Soviets', the President had said. 'By making possible the formulation and execution of liberal reforms such as the nationalization of certain industries and land redistribution, which are desired by a majority of Koreans, this policy should also help to broaden the basis for an understanding with the Russians.'

But America could not help acting in the opposite direction. These were some of the results, on the eve of the war between the Northern and Southern halves of Korea and the 'Eastern' and 'Western' worlds. 'Some observers here believe the police of South Korea are the chief obstacle to the success of the Government—that they are driving the common people into the arms of the Communists', the Seoul correspondent of the *New York Times* reported on February 1, 1950. 'Many Americans are horrified by the deaths by torture and wholesale executions of Communists. . . . The South Korean regime leans heavily on the leadership—even in the army and the police—of those who held positions of rank under the Japanese. . . . A few weeks earlier the National Assembly had raised a hue and cry over the number of prominent people who were dying under police and army torture.'

By contrast, Brigadier-General W. L. Roberts, U.S. Army, the commander of the Korean Military Advisory Group, told the *New York Herald Tribune* correspondent on June 5, 1950, two weeks before the explosion of an untenable internal situation into an international war which, by the summer of 1952, cost the United States alone 116,000 casualties: 'KMAG is a living demonstration of how an intelligent and intensive investment of 500 combat-hardened American men and officers can train 100,000 guys who will do the shooting for you. . . . In Korea the American taxpayer has an army that is a fine watchdog over investments placed in this country and a force that represents the maximum results at the minimum cost.'

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As the non-Communist world was made increasingly dependent upon America, the United Nations was bound to become more and more America's instrument.

'U.N. has done the U.S. proud', *Business Week* wrote on October 22, 1949. 'The U.S. has commanded bigger and bigger majorities in U.N. to justify its crusade against communism. . . . Basically U.N. is a U.S. structure. The U.S. founded U.N. Behind its achievements stands the competency of U.S. technicians. . . . Perhaps most important of all, U.N.'s headquarters are on U.S. soil. . . . The U.S. gets what it pays for.'

At one end of the scale of dependence upon the United States among the members of the world organization are 'some small nations, hopelessly understaffed'—in the words of *Business Week*—for whom, 'time and again, the U.S. delegation has had to supply the staff work—even to the point of helping write policy speeches'. Nations like Bolivia, of which *U.S. News & World Report* said on May 25, 1951 in connection with an uprising, that 'anti-U.S. politicians, though polling most votes in presidential election, aren't to get into power if Bolivia's Army can prevent it'; so that 'U.S. tin supply is relatively secure, at least as secure as Bolivian Army can make it'. Like Venezuela, whose government derives from contracts with American oil corporations 'half its revenue and 90 per cent of its foreign exchange', as the *New York Times* reported on May 26, 1950. Or, like Guatemala where, according to the *Reader's Digest*, the plantation activities of a single American corporation, the United Fruit Company, provide thirty per cent of the national budget, while United States purchases account for 91 per cent of the nation's exports.

At the other end of the scale are the great allies of the United States, who keep on fighting a stiff uphill battle against their painful dependence upon her wealth and power. About the greatest of them, James Reston, the diplomatic correspondent of the *New York Times*, wrote from Washington on February 26, 1950: 'As one official here put it, the British for months now have been very much like the clown in the circus whose full-dress suit looked fairly reliable but could be zipped right off his body by stepping on a hidden string. "We have to be careful in demanding that the British do this or do that", he said, [lest] "we might just pull the string that would leave them naked before the world".'

The United Nations and its specialized agencies are deeply committed by their Charters to economic and social reform all over the world. Yet all their mild reform suggestions that go against the American business concept of 'free enterprise' are being sidestepped and hindered, and whenever necessary opposed and defeated, by Washington.

A typical example is the fate of the United Nations' basic obligation to foster full employment. Washington signed and ratified the 1944 Philadelphia Declaration of the International Labour Organization, reaffirming that 'the war against want requires to be carried on with unrelenting vigour within each nation', and explicitly approving the main aim of that battle, the promotion by every member nation of 'full employment'. Washington signed and ratified the United Nations Charter, which also obliges member nations to aim at 'full employment'. Yet, instead of leading the way to international fulfilment of these pledges, America became an example to those who tried to bury them.

The United States actually went on record before the assembled representatives of the world as having changed her mind about the primary importance of jobs for all. 'Surrounded by delegates from countries with Socialist or Communist planned economies', the *New

York Times reported on May 21, 1949 from the Economic and Employment Commission in Geneva, 'Mr Lubin sounded a warning that the United States was not prepared to sacrifice its free economic institutions in the interest of an illusory security based on economic regimentation . . . adding that this country did not consider full employment the "only end" of social policy. . . .'

As joblessness continued to rise in America and Western European countries whose economic systems had gradually been made safer for 'free enterprise', a group of American, British, French and Australian experts were asked by the United Nations to work out a plan for combating unemployment. It called for far from radical policies more or less along Rooseveltian lines. But even before the various governments had an opportunity to discuss it, the powerful National Association of Manufacturers demanded to be heard before a U.N. subcommittee and, in the words of the *New York Times* of February 16, 1950, 'derided a proposed plan of automatic counter-checks to fight world unemployment through the United Nations as over-ambitious, unrealistic, fantastic and a sure road to ruin for the individual competitive system . . . criticizing the experts' basic assumption that full employment is a policy to which governments should relate their activities'. This ended what hope there might have been for the plan.

Another constructive report of U.N. experts calculated that the backward regions of the world, for reasonable development work, needed outside financial help to the minimum extent of about $14 billion a year (then the equivalent of one-quarter of America's annual Cold War expenses). Immediately, the United States 'issued a warning against falsely raising the hopes of economically backward countries for abundant foreign help', as the *New York Times* reported on May 18, 1951; and 'objected also that the report placed too much emphasis on government control in planning the economic development of these countries'.

But in most U.N. reports the viewpoint of the American government, and therefore of American Big Business, has come to prevail, as in the typical case of a study of the Economic Commission for Asia and the Far East on the possibility of foreign investments in the countries of South East Asia. 'There appears to be greater anxiety to meet the susceptibilities of foreign investors', an editorial in the *Hindustan Times*, New Delhi, of May 20, 1950, commented on the study, 'than to discover the needs of these regions and find out how best they could be met under existing conditions of the investment market throughout the world'.

One of the outstanding examples of the defeat by American 'free enterprise' of important U.N. initiatives concerns a measure that was to provide urgently needed help for the two-thirds of mankind who are chronically hungry or undernourished. 'The United States will oppose, and in effect defeat, the proposal by the Food and Agricultural Organization for an "international commodity clearing house" designed to transfer surpluses to shortage areas . . . by negotiating sales of food surpluses in "inconvertible" or "soft" currencies that could not otherwise be made', the *New York Times* reported on November 3, 1949. For such a solution of one of the world's main problems might run counter to Cold War requirements: 'the United States, it is argued, might make surplus wheat available to Poland, for example, without knowing whether it would be traded for a currency usable for buying arms'. It would run counter to America's policy of promoting 'free enterprise' throughout the world: such a 'world agency would be a step toward state trading and away from the "normal" or private trade relations encouraged by this Government'. It would run counter to the principle that American surplus food should not only yield its price and fill hungry stomachs but also help America in her armaments and to increase her influence: 'this country will support bilateral commodity agreements rather than the collective agreements planned by the F.A.O.', i.e., agreements like that under negotiation at the time with India, 'in which American wheat would be traded by a form of barter for Indian mica and other critical materials required for this country's (military) stockpile'.

'If U.S. crops are going to help feed the world', *Business Week* added, 'officials prefer to use them to promote U.S. foreign policy—in India, for instance.'

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The Korean war, and the armament boom that followed, at first seemed to solve many of the problems not only of America but also of the rest of the non-Communist world.

The threat of depression receded, unemployment fell, production rose, surpluses turned into shortages, international competition for markets diminished, and the 'backward' nations reaped higher profits from steeply rising prices of their primary products. To Japan, in Premier Yoshida's words, the Korean war was 'an act of providence'; and the same was true of Germany, for it promised both nations plentiful business and very favourable peace terms, new military and political power and alliances with their conquerors of yesterday.

But the relief was short-lived. Fresh problems have arisen and are mounting, old ones have reappeared or are casting their shadows ahead.

One of them is the dangerous effect on the economic and social life of the Western world of rising armaments. Since the end of the second world war, Western Europe has been carrying much greater burdens of military expenditures than ever before in peacetime. In 1949-50 they were over $5,100,000,000 or two-fifths as much as the military outlay of the infinitely richer American economy. By 1950-1 American pressure further increased this already menacing load to $7,900,000,000, nearly to the breaking point. Yet the pressure has continued, and William C. Foster, the new Marshall Plan administrator, stated on April 4, 1951 that Western Europe 'could carry a defence programme of 40 to 50 billion dollars annually, if necessary. . . .'

Following the principle expressed by Senator Robert A. Taft, that 'it is cheaper to fight a war with soldiers of foreign nations, even if we have to equip them, than with American boys' (*The Observer*, May 20, 1951), America increased her military supplies and continued some of her economic aid to Western European nations beyond the lapse of the Marshall Plan; but not sufficiently to keep their problems from mounting all the time. On the contrary, this aid has become the instrument of enforcing on them an ever greater armament effort. The U.S. Ambassador to Belgium, Robert Murphy, according to *United Press* of April 16, 1951, gave one of the first typical warnings of 'possible cuts in United States aid to nations that were not doing their part in European defence efforts', which later became more and more frequent.

It is often overlooked that Britain, per head of her population, has recently been spending thirty-eight per cent more on armaments than the United States. A calculation of the U.N. Economic Commission for Europe in the summer of 1951 showed that 'defence expenditure in man-years per thousand inhabitants' in Britain amounted to 46 man-years in 1949, 47 in 1950 and 82 in 1951; against 31, 30, and 74 man-years, respectively, in the United States; and against 42, 43, and 49 man-years in the Soviet Union.

It is also often overlooked how much the economic role of armaments in the United States differs from the role they play elsewhere. To America armaments have become a more and more vital 'pump-primer', an indispensable aid to the maintenance of her uneasy prosperity and her unreformed economic order. To Britain and other nations armaments are a terrible burden without economic compensation, an ever growing danger to their precariously balanced economies and welfare institutions—a burden that has largely been imposed upon them as the result of world reactions to the course of America's domestic and foreign policies.*

But it is not only the armament burden in itself that soon caused the initial economic relief of the Korean war to give place to fresh difficulties. The tremendous rise of food and raw material prices due to the armament boom, unbalanced the Western European economies even more. To France, for example, which actually depends less on imports than Britain and some other nations, 'ten months of the raw material boom . . . cost the same amount as all the aid she received under the Marshall Plan', wrote *Le Monde* on May 26, 1951. Everywhere, the 'dollar gap' problem has again grown critically acute, and the stern deflationary measures that had to be taken in attempts to close it have accelerated the fall of domestic demand for the products of consumer industries, intensified international rivalry on the world's markets and given rise to growing unemployment in the midst of the armament boom—foreshadowing the grim possibilities of the 'post-rearmament' deflation that may threaten the world some day unless the arms race continues to grow.

In the economically backward regions, where revolution brews and help from the 'advanced' nations is more than ever needed, the net effect of the armament boom has been further deterioration. The rise of food and raw material prices meant higher profits for business, but still higher living costs and greater shortages for the people. 'The race for defence and rearmament may tighten the world's hunger belt to the danger notch', the Food and Agricultural Organization of the United Nations stated on October 28, 1951. The U.N. Economic Commission for Asia and the Far East, on March 3, 1951, expressed the fear that the rearmament programmes in the West would so diminish the flow of capital goods that all development programmes in backward countries would come to a stop for lack of physical equipment. And the U.N. Economic Commission for Europe warned in January 1952 that the armament race intensified the already enormous discrepancy between the industrial capacities of the 'advanced' and

* There is a danger that for Britain, too, armaments may become an important business-supporting factor, a premium on the intensification of the arms race. 'Britain's economic planners have lately begun to have visions of a new kind of big dollar earning export for this country: not whiskey, pottery or automobiles, but weapons of war', the London correspondent of the *New York Times* reported on July 10, 1952. '"This offshore procurement", the *Financial Times* remarked today, "offers one of the readiest means of earning dollars indirectly at a time when the dollar markets are becoming increasingly difficult to penetrate".'

'backward' nations. 'Defence expenditures in the leading industrial countries of Eastern and Western Europe, the Soviet Union and the U.S.A.', the report estimated, 'are likely soon to reach levels where they will together equal, or even exceed, the aggregate national incomes of all the under-developed countries', i.e., of two-thirds of mankind.

That social and political reform in these great vacuum areas of actual and potential conflict is making no progress goes without saying. Even in Southern Korea, the small but crucial test area of the ideological struggle, America and the United Nations have made no headway in bringing the promised democracy or even sufficient economic relief to the war-decimated civilian population. 'If free elections were held after the armistice, how would South Korea vote?' the *Manchester Guardian* correspondent, according to his report of September 25, 1951, asked experts in Tokyo. 'Many think that the results would indirectly favour the Communists', he wrote. 'Some even believe that the elections would give a Communist majority.'

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Never have so many nations, and among them so many playing such vital roles in the world's civilization, been so dependent upon another power. As *The Times* wrote on August 29, 1951, 'over two-thirds of the globe, along the great arc stretching from Europe to Japan, no treaty can be signed . . . no decision can be made without the approval and support of the United States Government.'

Never have so many nations followed a leader so helplessly, made so little effort to influence the basic policies of their alliance, even though those policies intensified the problems they were supposed to solve.

'We are not getting from Britain and from France their own true judgment of the great issues', Walter Lippmann wrote on January 3, 1950. 'They have had to think about the appropriations committees of Congress when what we needed desperately is their independent, unfrightened, uninfluenced contribution to the problems which we cannot possibly know enough to solve all by ourselves.' And again on February 9, 1950: 'The big votes [in the United Nations], unanimous except for the Soviet bloc, have never had so much significance as it has been fashionable and official to say they had. Our strongest allies and partners have never been so happily confident and convinced of the soundness of our proposals and the wisdom of our tactics as their recorded votes have appeared to indicate. [But] they assented to our leadership, and they suppressed their doubts and misgivings . . . they thought it expedient to present a solid front to the Russians, and also to Congress. . . .'

So it has remained in crisis after crisis. There have been innumerable demands on America by her friends and allies on secondary matters, innumerable criticisms of American policies, mainly on minor issues. But the great majority of the United Nations have never really taken stock of the post-war world leadership of the United States, never united to challenge its fatal course, of which Walter Lippmann already said on February 10, 1948: 'The worst of the Truman foreign policy is that in order to justify the enormous and mounting costs, it has been necessary to argue ourselves into the assumption that nothing can be settled.'

'From that', he continued, 'it is a small step to the view that nothing ought to be settled since any settlement requires concessions and compromises, and thus to acquire the habit of not looking for, of not trying to think out, ways and means of breaking the stalemate.'

Like the leaders of America, the leaders of most allied nations have been completely absorbed by the problems of living in the same world with Communism, with Communist states and Communist revolutionary movements; so much so that they have not dared to face the problems of living in the same community with the all-powerful, unbridled economy of the United States.

The question seems never to have occurred to them how Europe and Asia and all the rest of the world would fare if somehow Communist power were wiped out, in ultimate fulfilment of the policies of the American alliance; if they found themselves alone on earth with the American giant whom no Soviet counterweight would any longer induce to give at least some consideration to other countries; but whom an economic order always endangered by the threats of glut, unemployment and depression would force to subject the world to the imperative needs of American 'free enterprise', as interpreted by the giant business corporations.

Acting as though the Communist problem were the only one in the present world, as though strife and war were phenomena that did not exist before the Soviet Union was founded, as though salvation would naturally follow the destruction of Communist power, they have never given proper recognition to the role America's economic and political forces have been playing in making the Soviet problem grow to such dimensions in the post-war world.

XVII The Soviet Factor

'Within the framework of Marxist dialectic, the Communists have a case, and we Americans have done our best to help them prove it.'

Editorial, *Saturday Evening Post*
May 1, 1948

THE CRUCIAL FACT OF THE WORLD'S POST-WAR TRAGEDY IS THE fatal chain reaction between the United States and the Soviet Union, between their mutual suspicions, fears and recriminations, their mutual checks and counter-checks, manoeuvres and counter-manoeuvres, blows and counter-blows.

It has brought out in the domestic and international policies of both their harshest, mutually most objectionable qualities, has convinced each more deeply every day of the other's deliberate, irrevocable, deadly hostility.

It has forced each to yield to the other much of the initiative for its own decisions—often making the White House set the course of action for the Soviet Union, and the Kremlin for the United States.

The basic motivations of this chain reaction are well illustrated by a conversation between an American labour leader who visited Moscow soon after the war and Foreign Minister V. M. Molotov.

'As far as he could see, the standard of living in the USSR was, to use his own word, "lousy", the American labor leader remarked', according to a belated report in the *New York Herald Tribune* of June 28, 1946. 'He went on to say that it seemed to him the reason for the lousy standard of living was that the Russians insisted on maintaining a huge war machine, even now that the war was over. Would Mr Molotov explain why this was necessary?'

'Was it not true', Molotov retorted, 'that American union men had higher wages during the war than ever before? Was it not also true that farmers were more prosperous, that business made larger profits?'

The American labour leader 'warily assented'.

'Obviously then', said Molotov, 'since all Americans were better off during wartime, Russia must look to her defences.'

Such Soviet logic was not unfamiliar to Americans during the early post-war period. From time to time they were reminded of Moscow's conviction that, through the danger of depression, American capitalism would 'be forced into militaristic and imperialistic adventures and finally into the third world war, in order to save itself', as the *New York Times* summarized 'the theory of Marxism as applied to the United States'.

Put so categorically, the argument may not really have seemed justifiable to Americans who thought of nothing less than militaristic and imperialistic adventures and another world war. Yet the danger of depression as the consequence of peace was so real and frightening to them at the time that many accepted statements like Mr Molotov's as understandable though strangely exaggerated expressions of genuine Soviet fears. The more so since other nations, too, dreaded the drift to depression of America's economy and the false remedies which might be sought to forestall it.

'The whole world—all of Europe, Britain, Russia—are living today with an acute sense that an economic catastrophe in the United States would shake the world', Walter Lippmann wrote on December 31, 1946. 'If we were able to assure them that we have the will and the knowledge to avert another 1929, we would do more to relieve them of their worst anxieties, more to persuade them that peace is possible through the United Nations, than by any other thing we could do.'

Many Americans felt that one of the very reasons for the world-wide trend toward some kind of socialism was the wish of nations to protect themselves against the dangerous impact of the ever unstable American economy. It seemed only reasonable, therefore, at the time, to regard the Soviets' fear of an American depression drift as the motivation for their disappointing post-war actions at home, in their new safety belt of the People's Democracies, and in adjoining danger areas of potential conflict, like Greece and Persia. The very term 'Iron Curtain' fitted into the picture of a Soviet Union that wanted to protect the scene of her socialist development against the spread of fire from the outside; for it is a translation of the German term '*Eiserner Vorhang*', the safety curtain of the theatre.

'Welles Sees Soviet Imperialism Based On People's Security Aim', read a headline in the *New York Herald Tribune* of May 6, 1946, summing up the opinion of the former Under Secretary of State and of many plain Americans, that 'the Soviet Union is still saturated with by no means unreasonable suspicions'—some of which date back to the years when America, Britain, Japan and France lined up with the Soviets' domestic enemies to suppress their revolution—suspicions that had clouded the harmony of Soviet-Allied co-operation during the second world war and were intensified by the post-war trends of the American economy. Again, on August 21, 1946, Mr Welles wrote of his belief that 'the underlying objectives of Soviet policy are safety, reconstruction, the industrialization of the Soviet republics, and the development of natural resources as essential parts of a program designed rapidly to raise Russian living standards. . . '.

There was also some realization in America at the time that the obvious answer to the Soviets' fears and the alarming reactions they provoked in Communist policies all over the world would have been for America to reform her economic order, so that it could 'pull through the next fifteen years without a major depression and without going "fascist",' as John Fischer pointed out in *Harper's* magazine of August 1946. 'If we can find some democratic method of controlling the violent ups-and-downs of our economy—if we can hold on to full employment and our freedom at the same time—then we will have proved beyond question that the Communist forebodings are all wrong. That is the only kind of proof Stalin and his associates will readily accept. Their conviction that the capitalist world is inherently unstable, dangerous, and pregnant with war probably can never be shaken by mere verbal argument. But they can be shown.'

Not only many plain Americans but some businessmen and politicians were confident at first—as Roosevelt had been—that the strained situation of the time need not be the beginning of a fresh drift to war. That, on the contrary, the early post-war tension might be 'resolving itself into a struggle of political or social systems bent upon proving they are best because they have devised ways and means of maintaining better living standards for all their peoples and not merely the fringes of their peoples . . . was the thought placed before the Senate Banking and Currency Committee last week by Ralph E. Flanders, a manufacturer who is chairman of the Federal Reserve Bank of Boston', the *New York Times* reported on March 17, 1946. The future Senator 'thought Russia was not out for a "fighting war" but welcomed a contest between different types of social organizations'. He counselled 'we should gladly join in it, because fundamentally it is competition to improve the material conditions of humanity'.

Yet, as the idea of economic reform was buried in America and the Cold War grew, such sane warnings soon became suspect. And the course of events in the United States, year after post-war year, seemed to confirm the sinister import of President Truman's words in September 1945 about the 'great emergency' created by the end of the war; and of those of Bernard M. Baruch, America's representative on the U.N. Atomic Energy Commission, on October 12, 1946, that 'peace seems beautiful during the savagery of war, but it becomes almost hateful when war is over',* which were frequently cited by Soviet speakers at the United Nations.

The facts disproved as wishful thinking occasional American statements that there was no danger of depression. Prosperity, propped up by more and more Cold War expenditures, was less complete and less secure than it had been in wartime, and the trend to economic crisis remained unmistakable.

'How naive the Soviet rulers would be if they accepted the prediction made last week by the U.S. Secretary of Labor, Maurice Tobin, before the International Labour Organization, "I do not believe we will ever again experience a major depression",' *U.S. News & World Report* wrote on June 30, 1950. 'The Russians have able economists. Their periodicals . . . reveal a good grasp of the factual data about business conditions here. The Russians don't need to come to America to find out the strain under which our economic system is laboring—all they have to do is to read the American newspapers.'

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Roosevelt had warned the nation on January 6, 1945, a few months before his death: 'In our disillusionment after the last war we preferred international anarchy to international cooperation with nations which did not see and think exactly as we did. We must not let that happen again or we shall follow the same tragic road again—the road to a Third World War. . . . We must be on our guard not to exploit and exaggerate the differences between us and our allies.'

But one infringement of this principle occurred before the war was over; and another a day after victory. Both were later admitted to have been mistakes; but by then they had already contributed so much fuel to the fatal chain reaction between 'West' and 'East' that they could no more be undone.

The first of these events was the dropping of the atom bomb on Hiroshima on August 6, 1945, a few days after the end of the Potsdam conference at which the new President, Harry S. Truman, gave no inkling of it to Stalin whom he faced across the table.

What Moscow suspected, but what many Americans did not and still do not realize, was confirmed three years later: the American

* The next sentence of Mr Baruch's speech provides the context of his thought: 'Each disputant demands a peace made in his own image instead of a peace acceptable to all.'

intention, at the time, to use the threat of the new weapon to replace the Soviet regime with one according to America's conception of freedom and democracy. 'At the Potsdam conference, some three weeks before the outside world knew of the bomb's existence, Mr Stimson wrote Mr Truman a memorandum, warning that "no permanently safe international relations" could be hoped for as long as Russia was governed by a Communist dictatorship', a *United Press* report on March 30, 1948 quoted the memoirs of Henry L. Stimson, who, during those critical days of 1945, had been Secretary of War. Mr Stimson, therefore, 'suggested that, as a condition of sharing in the benefits of atomic energy, the Soviet rulers be required to abandon their police state and move toward genuine democracy'.

Two months later, Mr Stimson changed his mind. He 'abandoned hope that the American lead in atomic development could be used as a "lever" to pry open the iron curtain (since) W. Averill Harriman, then American Ambassador to Moscow, persuaded Mr Stimson that Soviet leaders would reject stubbornly any American effort to "bargain for freedom in Russia".'

But it was too late. When Mr Stimson 'retracted his earlier stand and counselled the President to take "immediate and direct action" to seek an atomic agreement with Stalin', his original proposal had already become the basis of American policy, from which there was no retreat. Mr Stimson's 'final warning that relations between the two nations "may perhaps be irretrievably embittered" if this country postponed a top-level approach to Russia and continued "to negotiate with them [indirectly, through the United Nations, in which America enjoyed a large voting majority against the Soviet group], having this weapon rather ostentatiously on our hip",' became a mere footnote to the history of the world's new drift to war. For, by 1948, when some of the more serious newspapers printed this revelation, as a mere miscellaneous item, the Cold War was already in full swing.

It was also found out too late that the atom bomb even threw its destructive shadow ahead of Hiroshima. It probably was responsible for a good deal of the mutual suspicions between the Soviet Union and the United States during the war and for the tragic after-effects those wartime frictions have had ever since. 'It becomes possible to consider certain Russian actions—such as the repeated demands for a second front—from this aspect', reported the *New York Herald Tribune* on February 14, 1950, explaining that Moscow knew all the time about the development of an atomic bomb in America. 'It might be suggested that Russia had a real fear that the Allies planned to permit Russia to bear the entire brunt of German arms while they waited—however long—for their new weapon.'*

Two weeks after Hiroshima there was still another event which fitted into the Soviet theory about dangerous new pressures arising from 'capitalist encirclement': the abrupt cancellation of American Lend Lease assistance. It was accompanied by unmistakable signs that America wanted to use negotiations on post-war aid to the devastated Soviet Union in the same way as the negotiations on atomic energy—to undo the Russian revolution.

Harry L. Hopkins, Roosevelt's former adviser, whom Mr Truman sent to Moscow in 1945, noted in papers published after his death that Stalin complained about the manner in which Lend Lease was suddenly ended and told him: 'If the Russians were approached frankly on a friendly basis much could be done, but that reprisals in any form would bring about the exact opposite effect.'

' "The abrogation of Lend Lease hit Russia more than it was ever suspected abroad",' a 'top-ranking American businessman' who spoke with the Soviet diplomat Andrei Gromyko was quoted by *United Nations World* on August 4, 1949. ' "Gromyko frankly told me that Stalin at first refused to believe the news when Molotov informed him of the brusque American note. He instructed the Soviet Ambassador in Washington, Nikolai V. Novikov, to ask for an extension to enable the USSR to initiate at least the first phase of its post-war recovery, and was further shocked when Novikov told him that, in view of Washington's 'peculiar mood', no such extension could be obtained". . . . Stalin's suspicion froze into a weary distrust when the Soviet application for a U.S. loan, designed to offset the loss of Lend-Lease, "got lost in the State Department", and when the Department of Commerce, "upon explicit instructions from the State Department", began to embargo exports to Russia, especially of machine tools and heavy industrial equipment.'

*Moscow not only knew about the development of the atomic bomb in the United States; but Soviet scientists were much further advanced in atomic research than was generally realized. 'For the past decade, there has been no "atom-bomb secret" which Russian spies needed to steal', *Time* magazine reported on January 2, 1950. 'This fact has been asserted again and again by the Atomic Energy Commission. . . . Last week the A.E.C.'s files yielded documentary proof: Russian scientific papers on the subject, published in 1940, before the U.S. started its atom bomb project. . . . To start their bomb project, they did not have to wait for spy-gathered information or for the famous Smyth report. The basic "secrets" were already in their files. Until this week the Russian papers have been known to few. If the facts they contain had been properly publicized, a lot of spy chasing and pointless orating might have been avoided.'

President Truman admitted four-and-a-half years later, in an interview with Arthur Krock of the *New York Times* on February 14, 1950, that 'to abolish lend-lease at the time was a mistake'. But it was too late to correct it. And the President added a fresh mistake to the old one when he continued: 'The real trouble with the Russians is that they are still suffering from a complex of fear and inferiority where we are concerned.' It was the mistake of ignoring the continuing effect which American trends and actions and also the words of prominent Americans must have had in the formulation of much-regretted Soviet policies at home and abroad.

These are a few of Mr Truman's own utterances that may well have contributed to Moscow's 'complex of fear'. At the beginning of the Soviet Union's life and death struggle with Hitler Germany he said, according to the *New York Times* of June 24, 1941: 'If we see that Germany is winning we ought to help Russia, and if Russia is winning we ought to help Germany and that way let them kill as many as possible.' The *New York Herald Tribune* reported on February 25, 1950: 'Shortly after he became President, Truman granted a still unpublished interview. On this occasion, the new President blandly assured his visitor . . . that the Russians would soon be put in their places; and that the United States would then take the lead in running the world in the way the world ought to be run.' And at his news conference of September 1, 1949, in the words of the *New York Times*, the President 'expressed the hope that the deep conflict between the democratic nations and Russia and her satellites would end in the surrender of the Communist bloc', giving 'a strong connotation to his use of the word surrender'.

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The pattern for Washington's post-war policies toward the Soviet sphere was set by the decisions to use America's initial monopoly of the atomic bomb and her monopoly of reconstruction credits and supplies as the means of defeating Communism. The economic urge for the expansion of American business into the outside world and for sufficient armaments to stave off depression gave added impetus to the anti-Soviet attitude of Washington, if only because of the countermoves those trends caused in the Soviet world. So did America's political need for defeating the reform movement at home and the practice of tarring all progressives with the Communist brush. Social unrest and revolution in the vacuum areas along the capitalist-Communist border zones of Europe and Asia, linked in one way or another with the Cold War, further encouraged these policies. And the Captive Audience system of America's mass opinion industries prevented the nation, including many of its leaders, from judging objectively the basic causes of this new drift to world-wide conflict and the means of halting it.

America, in fact, 'gave up its independent mind, contracted its national will to the dry negation of the will of others, and threw away the historic initiative which, in the lives of nations as in the lives of men, is the key to greatness', as Archibald MacLeish, former U.S. Assistant Secretary of State, wrote in the *Atlantic Monthly* of August 1949. More and more Americans lost their 'way as a people, and wandered into the Russian looking-glass, primarily because we were unable to think, . . . unable, that is, to understand the nature of the crisis in which we were caught or the character of the role we were called upon to play'.

America's 'belief that the world crisis could be resolved merely by resisting and containing Communism was, therefore, a delusive belief; and the conclusion that the realization of the historic American purpose must be deferred and subordinated to the defeat of the Russian purpose was not only a false conclusion but a betrayal of the life of the Republic'.

It is no exaggeration, as MacLeish continued, that 'never in the history of the world was one people as completely dominated, intellectually and morally, by another as the people of the United States by the people of Russia'; that 'American foreign policy was a mirror image of Russian foreign policy: whatever the Russians did, we did in reverse'; and that 'American domestic politics were conducted under a kind of upside-down Russian veto: no man could be elected to public office unless he was on record as detesting the Russians, and no proposal could be enacted, from a peace plan at one end to a military budget at the other, unless it could be demonstrated that the Russians wouldn't like it. . . '.

This atmosphere made it inevitable for the chain reaction between the United States and the Soviet Union to proceed at ever faster speed, with ever growing dangers to the world, and with less and less hope that America—still by far the stronger of the two in wealth and productive might, in long range weapons, geographic security, and influence within the United Nations—might eventually decide to break the vicious circle by following the warnings of Roosevelt on economic reform at home and broadminded international co-operation with different political systems.

Many peaceful Americans thus ceased to realize that the Soviet

Union may actually feel threatened by military encirclement—even though 'from Norway and Iceland to the Arabian or Iberian Peninsulas vocal groups complain of American expansion, asking: "How do they expect the Russians to keep quiet if they insist themselves on grabbing all those bases?"' as C. L. Sulzberger reported in the *New York Times*, June 23, 1946.*

Having walked into the 'Russian looking-glass', America has virtually developed a split personality where opinion on Soviet intentions is concerned.

On the one hand, judgments like these have cheerfully been accepted: 'General of the Army Dwight D. Eisenhower, retiring Chief of Staff, today absolved the Soviet Union of any intention of deliberately provoking war' (*New York Times*, February 6, 1948). 'Russia will be unable to wage an offensive war before 1970' (Lt.-General Leslie Groves, March 9, 1950). 'Jet fighters, tanks, armoured divisions, submarines, radar nets, airfields in Eastern Europe and B-29 strategic bombers do not look like preparations to make war against the United States. . . . What the military preparations do suggest is that the Soviet Union is working to make it impossible for the United States to make war successfully against it' (Walter Lippmann, June 26, 1950). 'I do not myself see any conclusive evidence that the Russians expect to start a war with the United States' (Senator Robert A. Taft, January 6, 1951). 'At present there is no internal impulse for war in the Soviet Union. There is no clamour for expansion by military conquest. . . . There is no popular desire for a preventive war. The rulers of the Soviet Union, it is held (by United States and British experts studying Russian actions and trying to estimate Russian intentions), could reach rapprochement with the West and receive the warmest support of the Russian people' (*New York Times*, March 27, 1951).

On the other hand, America has given in to the ever-increasing pace of rearmament and to wave after wave of war hysteria, admittedly incited to get Congressional approval for more armaments. America has taken in her stride reports and headlines like these, oblivious of the effect they must have in the Soviet camp:

'Strategy For "World War III": Drive To Choke Soviet Industry' (*U.S. News & World Report*, April 9, 1948). 'U.S. war plan for fighting

* A map printed in the *New York Times* of July 29, 1951, under the caption *U.S. Air Bases Around The World*, showed 85 American bases outside t United States proper—established in 20 countries and territories of Americ Europe, Africa and Asia, all around the Soviet Union.

Russia is blueprinted. . . . Phase 1: Surprise atom-bomb air raids over Russia. Phase 2: Holding operation with European troops. Phase 3: Combined offensive across Europe, spearheaded by U.S. commanders' (*ibid.*, August 26, 1950). 'General Hoyt Vandenberg, Air Force Chief of Staff, said today that Russia is America's only enemy, atomic bombing in the event of war has "first priority", and the Joint Chiefs of of Staff are now selecting targets (*United Press*, August 12, 1949). 'The United States should be willing to pay any price to achieve a world at peace, "even the price of instituting a war to compel co-operation for peace", Secretary of the Navy Francis P. Matthews said . . . "it would win for us a proud and popular title—we would become the first aggressors for peace" ' (*New York Times*, August 26, 1950). 'The phrase "preventive war" continues to hang in the air like the smell of strong cheese. Some hate it, some like it, few can escape it' (*Business Week*, October 21, 1950).

And on peace: 'It's not the danger of Russia's starting a war that gives Secretary Acheson the jitters these days. It's the mounting popular pressure for a deal with Stalin', (*Business Week*, February 25, 1950). 'Mr. Truman has no intention to do any diplomatic business, now or in the future, with Joseph Stalin or his lieutenants. Orders issued to top officials to talk peace and possible negotiation are designed to calm the public and to avoid the vote loss that appears to go along with war talk and war threats. Tough talk is supposed to start again after November [election month]' (*U.S. News & World Report*, June 30, 1950).

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America's 'tough' policies toward the Soviet Union were already in full force when the Marshall Plan was devised in 1947, and when Moscow rejected it—to the surprise and disappointment of many who had hoped that it might provide a new basis for peace.

'We know that the Russian refusal to cooperate with the Marshall Plan was due to her resentment over the Truman Doctrine . . . and her belief that the United States intended to wage a war of dollars against Russia', *U.S. News & World Report* wrote on September 26, 1947. 'We should not now be surprised because Russia uses her veto power and any other weapon of propaganda she possesses in an effort to checkmate the Western democracies.'

Not a few of the initial suspicions Moscow expressed of the Marshall Plan proposals and American loans in general were shared at the time in Western European capitals. For example, a *New York Times* report from Paris on May 20, 1947 spoke of 'French fears that American loans might impair France's independence or sovereignty have at last been officially expressed in speeches by members of the government'.

Later experiences of Western Europe with the Marshall Plan, with the ways it enhanced their dependence upon the United States and laid them open to manifold American interference, may well have confirmed to Moscow the justification of its refusal to join the Plan and of its insistence that Czechoslovakia and her other Eastern European followers stay out of it. The same was probably true of many later statements of American officials about the aims of the Marshall Plan—like this of Paul G. Hoffman, its administrator: 'Success of the European Recovery Program might point the way to the eventual overthrow of the Communists throughout the world, including Russia' (*Associated Press*, January 22, 1950).

Similarly, it is not surprising that the Soviet Union seems to consider the interference of the United States with the trade between her own and the Soviets' world as basically motivated by American economic needs; as a policy that antedates the violent phase of the Cold War, that transcends the later need of withholding from a virtual enemy supplies of conceivably strategic importance; as a policy that was bound to have prevailed, even if the Soviet Union and Eastern Europe had joined the Marshall Plan.

'Unofficially, U.S. trade experts admit that it would be embarrassing to have Western Europe buy too much wheat from the East while the U.S. has such a big surplus', *Business Week* wrote on June 17, 1950. 'Some of the Western European countries are seriously concerned that the United States is going to make an important Communist propaganda theme come true', the *New York Times*' Geneva correspondent reported on June 11, 1950, referring to America's reluctance to let food-deficient Western European nations negotiate for the purchase of several million tons of Soviet grain. 'For, every time the Russians have mentioned their desire to cooperate in improving East-West trade, they have said in effect: "But of course we do not expect the United States to permit you Westerners to trade with us because the United States wants to dump its surpluses on your poor people".'

Yet, the Soviet camp has grown stronger economically under the impact of America, and made relatively more progress despite the United States' hindrances than the rest of the world was able to make with American assistance.

When half of the Soviet economy lay devastated in 1945, it was expected by American experts that, even if the United States were to give it considerable help, the mere reconstruction of the enormous war damages would take at least ten years, and that without such help it might never be achieved. However, in 1948, the pre-war level of Soviet production was exceeded; and J. F. Lincoln, president of the Lincoln Electric Company in Cleveland, stated on October 12, 1948, that 'the reports of Russian progress are alarming. Russia is increasing her industrial output and is approaching the point where she can out-produce the United States. This show of material prosperity and the ability to produce it is doing much for Russia in her effort to discredit us and the democratic idea of free enterprise.'

The Soviet Union could not keep up the pace, Americans were told when reconstruction was completed. Continuing to sacrifice her people's hopes for rising living standards to armaments and to the 'gigantomania' of enormous development schemes, the Communist system, bereft of American aid and 'know-how', would lag more and more behind and eventually bog down in open rebellion. America's very policy of 'containment' was based on this premise.

But the Soviet Union continued 'gaining industrial strength at least as fast as we are', wrote *Business Week* on June 17, 1950, at a time when the Cold War effort had once more revived the growth of America's stagnant post-war economy. 'Russia's national income is smaller—perhaps less than a quarter of ours. But by devoting a much larger share to capital investment, the Russians are ploughing back into investment each year about the same absolute amount as we are. . . . The risk of war will multiply, and fast, if Russia gains in the race for industrial power.' At the same time the 'Soviet standard of living has improved markedly in recent years', the *New York Times* of October 19, 1951 quoted 'a United States observer', who had spent several years in the Soviet Union.

Despite the destruction of the intervening years of war, the annual industrial production of the Soviet Union is stated to have risen by 188.4 per cent from 1937 to 1951 (U.N. *Economic Survey of Europe in 1951*), against an increase by 94.9 per cent in the United States over the same period.

The strength and national independence of Communism in China has been underestimated in the same manner, year after year. When America gave vast help to the Kuomintang after the war, the expectation was that the Communist 'rebel' regime, developed in the twofold struggle against the Japanese and for national rejuvenation in areas behind the Japanese frontlines, would soon disintegrate. And when it conquered the country and the people's acclaim, the prediction was that, without American aid for development, Communist China would be unable to make progress, or even to consolidate. Yet the new China, despite all American efforts at undermining her, is already giving the world a foretaste of her future as a strong, great power in her own right and an epoch-making example to all backward nations. As the *New York Times* on June 25, 1951 quoted 'arrivals in Hong Kong from the Chinese mainland', 'The Communists have achieved outstanding results in rehabilitating roads and railways, cleaning up cities, instituting administrative efficiency, eliminating corruption, controlling rivers and improving production in city and country . . . remarkable achievements in construction and management'.

Much similar testimony could be cited on Eastern European countries—like that of 'an American diplomat, stationed in the city', who told the Warsaw correspondent of *U.S. News & World Report* on June 23, 1950: ' "The most frightening thing about Communism in Poland is that it works".'

In Eastern Europe as a whole, judging from figures in the U.N. *Economic Bulletin for Europe*, Fourth Quarter, 1951, industrial production rose 97 per cent from 1938 to 1951, against an increase by 44 per cent in Western Europe (55 per cent in the case of Britain) during the same time. And it seems that China, too, is already in the process of increasing her production considerably.

But the growing strength of the Communist world only seems to have raised the American Cold War target from 'containing' it to 'rolling it back'. 'Once Communism's expansion is checked'—*U.S. News & World Report* predicted on February 23, 1951, in an account of the intended increase of Western strength during a five- or ten-year period of business prosperity based on 'rearmament at home and arms aid abroad'—'there can be expected to follow a long process of trying by one means or another to push back its frontiers'.

In such a process, world war must remain a constant danger; and it is in the grim logic of the chain reaction between the United States and the Soviet world that larger and larger armaments cannot take from either side its growing fear of aggression by the other. American 'political and military experts . . . whose duty it is to weigh the chances of a Russian attack in Europe', well illustrated this point. 'When the United States reaches the period of weapon predominance, as it will', the *New York Times* of March 26, 1951 quoted them, 'the rulers of the Soviet world will expect that the American people, weary of sacrifices for a national emergency that is neither peace nor war, will demand war.'

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To judge the possibilities of ending the fatal cause-and-effect relationship between 'East' and 'West' it would seem to matter little what one's opinion is about the Communists' real views and aims.

One may feel the Soviet leaders really believe and fear that the depression trend must force America deeper and deeper 'into militaristic and imperialistic adventures and finally into the third world war'; and that they only act defensively when they continue trying to acquire and solidify what strategic positions, controls and armed strength they can, in order to protect the Soviet world against attack. Or one may be convinced that, on the contrary, the Kremlin looks toward the eventual depression in the United States and the rest of the capitalistic nations as its great opportunity of taking over a world shaken by acute economic crisis; and that, in the meantime, it is paving the way toward that goal with all possible aggressive and subversive means, cynically talking peace while preparing for, and fostering, more war and revolution.

From either of these points of view, it would seem that America could best protect herself and the non-Communist world against disturbing Soviet moves by reforming her own economy and supporting reform elsewhere, by doing away with the depression drift and putting a floor under the economic risks and difficulties of peace. For, whether such a change in the United States would aim at allaying genuine Soviet fears or at frustrating aggressive Soviet plans, the effect would be the same: it would allow, or actually force, the Soviet world to devote less of its energies to armaments and more to improvement of the living conditions of its people, to rely for its rivalry with a genuinely reformed capitalism less on military strength and more on social progress.

It is true that Soviet theory, on principle, has always denied the possibility of capitalistic reform that could abolish the danger of depression and the resulting 'compulsion to war'. Yet the practice of Soviet interpretation of current history seems to allow for alternative lines of capitalistic action that may either postpone or hasten the development of economic crisis, soften or intensify its character, mellow or aggravate the measures of domestic and foreign policy by which a depression-threatened system must seek to evade its breakdown, and thereby influence the policies of the Soviet bloc in one way or the other. 'The flexible nature of Russian communism and the existence of certain precedents make even a fundamental change in attitude toward the non-Communist world not entirely beyond the range of possibility', a report about Soviet-American relations of the American

Friends Service Committee (which won the Nobel Peace Prize) stated in July 1949. 'It would seem unwarranted to believe that their Marxism would stand in the way of an acceptance of the idea of peaceful co-existence if "new historical conditions" made it appear advantageous.'

Sceptics will argue that Communism would still continue subverting foreign nations. But if the United States really reformed her economic order, the full use of her tremendous capacities to produce and buy and sell and lend would help to strengthen every 'advanced' and 'backward' nation and stimulate economic, social and political reform and progress in every corner of the globe. And what hopeful society, in the midst of genuine advancement, has ever been successfully subverted?

However black one may see the character of the Communist system and the intentions of its leaders—the power of a reformed American economy for helping world-wide progress would be so enormous that nothing could possibly offset it.

Just as the theories and the spread of Communism, historically, are reactions to the shortcomings of the capitalistic order, the world's present Soviet problem is in the last analysis the world's American problem in reverse. Short of war, which would solve neither—even for nations that survived—only a solution of the American problem could lead to the solution of the Soviet problem. Only once non-Communist countries no longer found it difficult to live in the same world with the United States would they no longer find it dangerous to 'co-exist' with Communist-led nations. Only then would there be hope that both groups could gradually evolve closer to one another.

XVIII A Floor Under the Risks of Peace

THE DRIFT TO ANOTHER WORLD WAR CAN STILL BE HALTED, the Cold War gradually ended, disarmament at last made possible—if the United States and other nations put a floor under the economic risks and difficulties of peace; if they commit themselves to concrete plans for full employment, full production, full use of modern science and technology; if they make certain in advance that peace would find them ready to put into constructive use for the achievement of material progress everywhere the men and skills, resources and machines they now employ on armaments or still have to leave idle.

Peace would become possible if the prospect of disarmament, or even of a mere lull in the arms race, no longer threatened the United States and other nations that have come to depend upon her with loss of jobs and profits, with cut-throat competition, depression, crisis and social unrest; if the search for peace were no longer hampered by the all too well founded fear of its economic consequences; if, on the contrary, the urge for peace, in so many nations motivated only by the wish to avoid the horrors of another world war, were powerfully activated by the valid promise that peace would be more than the mere absence of bloodshed, war threats and heavy armament burdens, that it would open the way to the safe and growing prosperity our age is able to bestow on all.

To lay a floor under the economic risks of peace while the Cold War goes on and hot war threatens would oblige no nation to reduce its armaments at once. It would involve no danger, no sacrifice of security. But timely preparation of the world's economies for the possibility of real peace would give new meaning and new force to international negotiations now bogged down because of the fear of peace and the reactions which that fear provokes on all sides. It would give new hope to negotiations on armistice where there is fighting, on compromise settlements where problems left by the second world war demand solution, on all aspects of international co-operation and security, and finally on disarmament and peace itself.

It should be the task of the United Nations to learn and apply this foremost lesson of post-war history. For Article 55 of its Charter reads: 'With a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations . . . the United Nations shall promote: (a) higher standards of living, full employment, and conditions of economic and social progress and development; (b) solutions of international economic, social, health and related problems. . . .' And Article 56: 'All Members pledge themselves to joint and separate action in cooperation with the Organization for the achievement of the purposes set forth in Article 55.'

If the United States and other member states enforced these obligations in the letter and spirit of the Charters of the United Nations and its Specialized Agencies—the International Labour Organization, the Food and Agricultural Organization, the World Health Organization the United Nations' Educational, Scientific and Cultural Organization, etc.—a floor would be laid under the economic risks and difficulties of peace, an inspiring stimulus would be added to efforts at achieving real peace. It would at last become possible to fulfil the opening pledge of the United Nations Charter—'to save succeeding generations from the scourge of war'.

Circumstances, of course, have changed since the Charter was written in San Francisco during the last stage of the second world war. Then, the trend all over the world seemed to be toward the kind of economic systems which might have permitted the extent of national planning, state controls over business, and long-term international agreements on economic co-operation, without which the enforcement of Article 55 is impossible. In the meantime, this trend has been defeated in the United States. In consequence it has been reversed in Britain and the Commonwealth, France and other Western European countries and prevented from developing in most of the economically backward nations.

The great majority of governments that now make up the councils of the United Nations are committed to more rather than less 'free enterprise' and *laissez faire*, to the contraction rather than the growth of 'welfare states' which alone can compose a truly peaceful and progressive world.

Even so, the need for a floor under the economic risks of peace, for the timely preparation of a swords-into-ploughshares change, occasionally finds some partial expression in the United Nations sphere. For example, the Director-General of the International Labour Office, Mr David A. Morse, stated in his annual report of March 1952: 'It is not too early to prepare for the change in the economic climate that may come when present rearmament plans are completed. It is not too early, recalling the world's experience both before the war and even occasionally since the war, to urge that serious and responsible thought be devoted over the next two years to ensuring that when expenditure on rearmament is reduced the result will be, not a cruel return of mass unemployment, but an expansion of economic development and a raising of living standards.' And India proposed at the General Assembly in 1951 the creation of an international fund for the development of economically backward nations, to be financed out of savings from any reduction of armaments that may become possible.

So far, even the 'backward' nations, which have most to gain, have been reluctant to go further and demand that the 'advanced' nations, particularly the United States, enforce Article 55 of the Charter in order to make peace and economic development possible. The reasons for their reluctance to raise the issue more categorically in the United Nations are that they do not want to antagonize America and Britain, nor to provoke controversies which would add weight to statements of the Communist nations that to their centrally planned economies, and to them alone today, disarmament and peace entail no risks but only opportunities. Moreover, every under-developed country has powerful vested interests as strongly opposed as business is in the United States and elsewhere even to the minimum of governmental planning, economic controls and 'welfare state' reforms implicit in the Charter aims of the United Nations.

But events in the 'backward' two-thirds of the globe are marching fast. While China shows what can be done for economic development even under conditions of actual war, most other under-developed nations feel more and more the paralyzing impact of the planlessly drifting economies of the war-geared Western powers upon which they depend, and see less and less hope of solving their formidable problems within that community while there is time to stave off the revolutionary forces in their midst.

Some of them at least, like India, may therefore still try to make the United Nations live up to its promise of world-wide peace and progress through economic reform.

The governments of Britain, France and other Western nations are in a quandary over the problem of laying a floor under the economic risks and difficulties of peace. They fear the 'post-rearmament' depression dangers that threaten the Western world and its dependencies from the United States. They would welcome any means of taming the ever blundering American giant, of obliging him to put his house in order, to determine his armament policies free from the need for economic 'pump priming', and to co-operate with them in a more considerate and predictable manner. So far, however, their other concerns have been stronger. They have been anxious not to irritate America and not to strengthen domestic opposition forces, which have every reason to accuse them of carrying on at home the very policies whose effects they dread from the United States.

But the opposition is growing. As unemployment rises and rivalry for the world's markets becomes fiercer even during the armament boom, as deflationary dangers increase even while the inflationary undercurrent continues to be fed by mounting military expenditures, and as the prospects of peace and prosperity become more remote and the armament burdens harder to bear, the domestic opposition may gradually force the conservative governments of Britain and other Western countries to yield or themselves to face the basic issue of our time.

The American Government would of course have to deny the very need for laying a floor under the economic risks and difficulties of peace if United Nations members were to demand such action. It would have to minimize the 'pump priming' role armaments play in the American economy and the depression dangers that would become acute once near-war should yield to peace. For, to acknowledge these facts and their peace-preventing influence would amount to the confession that the post-war world leadership of the United States has indeed failed; that 'free enterprise' has definitely proved unable to provide peace through plenty, political through economic security; and that the world has the right, or actually the duty, to demand that America reform her economic order.

But in America, too, the forces of opposition are bound to rise, for the same reasons as they do elsewhere, and to demand reform. Their success will to a large extent depend upon the support they receive from the outside. For they are considerably weaker and face much greater odds of concentrated power, apathy and popular confusion than do the opposition forces in the rest of the Western world.

The historic choice the world's most powerful nation will have to make is one that concerns not only the United States but mankind as a whole.

The choice before American democracy is this, in its 'great and tragic simplicity', as Jean-Jacques Servan Schreiber defined it on February 20, 1950 in *Le Monde*, the leading French middle-of-the-road newspaper:

'... to decide which of its two traditional moral laws to transgress: the one that makes preventive war inadmissible, or the one that does not permit free enterprise to be touched.'

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