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Government Intervention in the Post—War Economy

By GLENN E. HOOVER

THOSE WHO FEEL ANY CONCERN for the post-war world, and accept their responsibility to aid in shaping it, must re-examine our governmental economic policies, observe how the War has modified them and consider the changes which should be made with the restoration of peace. No good will come from discussing the merits of intervention or planning as an abstract principle. Human societies are impossible in the absence of social controls, and our real task is to determine the fields in which such controls should be applied, and to select the machinery best suited for the attainment of our social goals.

If intervention or planning is to be used so that real issues may be raised, it is necessary to give them their popular meanings. Some advocates of planning define the terms so that we are all either planners or philosophical anarchists.¹ But a definition, to be useful, must be one that will permit intelligent people to discuss the merits of general or over-all economic planning, the only kind of governmental intervention which is in dispute.

Is The “Trend” toward Increased Intervention?

MANY PLANNERS SEEK TO WIN adherents to their programs by insisting that we are being carried in the direction of planning by some “wave of the future,” just as Marx sought to make converts to socialism by asserting its inevitability. But a realistic view of history will reveal that while, in certain

¹ In the April issue of this JOURNAL, my editorial colleague, Dr. Geiger, criticized my opposition to planning, by asking if we can win the War without “planning.” Since such planning has never been in question, his query is mere logic-chopping. Cf. AM. JOUR. ECON. SOCIO., Vol. 1, No. 3, p. 312.

fields, we are being subjected to greater governmental controls, in others we are steadily achieving greater freedom.

The present trend toward intervention is of recent origin. If we take the long view we find many periods when the social controls were much more ubiquitous and onerous than they are now. The popular belief that primitive societies were characterized by greater individual freedom than now obtains has no scientific support. It is a concept which is of the same order as a belief in the Golden Age, the Noble Savage and the Unicorn. The anthropologists have established beyond question that men in primitive societies are much more restricted than moderns in their choice of wives, vocations, places of residence, types of houses, clothing, amusements, crops to be grown, and animals to be eaten. Compared with us, they are even restricted in their choice of superstitions. If we compare their lot with ours, there is no evidence of any cosmic force which drives society in the direction of increased intervention.

Even in historical times we find many periods in which intervention was carried much farther than is proposed by the most ardent of the modern planners. Those who seek approval of their interventionist programs by using such word magic as the New Economics, etc., should read, in all humility, of Manishtusu, son of Sargon, who fixed the price of wheat at 300 *silas* the shekel (circa 2570 B.C.). They may read too, the saddening news that by the time of Hammurabi (2100–1758 B.C.), the price of wheat, despite price control, had more than tripled.²

Even so recently as the Eighteenth Century, the trading states of Europe, in pursuance of their mercantilist policies, exercised a degree of control over trade, prices, wages, production and consumption that would now be considered in-

² Willard L. Thorp and George R. Taylor, "Prices," *Encyclopaedia of the Social Sciences*, Vol. 12, p. 376.

tolerable. Who, now, would like to have the state fix the period of apprenticeship for all trades, or, except as a war measure, prohibit the sale of meat on certain days so that an augmented fishing fleet might furnish more recruits for the Royal Navy? Who would like the modern state to prohibit the wearing of calico because printed calico was largely imported, and its use therefore tended to make the balance of trade "unfavorable"? This is the sort of thing which the European peoples endured for more than three hundred years. Such intervention gradually disappeared, particularly in Great Britain, with the acceptance of the principles of freedom so masterfully defended by Adam Smith in his "Wealth of Nations."³

That state intervention is so old is, of course, no argument against it, but its friends should not becloud the issue by pretending that it is new, and therefore presumably desirable. State intervention is in fact so old that the record of it must be read in the inscriptions carved in stone. The American people are so partial to novelty that any program will find converts provided only that it has never been tried. It is interesting to speculate on the reception that would have been accorded the NRA and the AAA if they had been called the "Old Deal" and had been formulated by those who professedly subscribed to the "Old Economics."

Intervention—on the Grand Scale

INTERVENTION OR PLANNING BECOMES a controversial issue only when it is proposed to grant to government the controls over our economy which have been exercised until now by the owners of private property. Much of the demand for increased intervention comes from those who want to make over our economic system and usher in the Age of Plenty.

³ A brief summary of the types of intervention practiced by the Mercantilist states is to be found in Dr. Philip W. Buck's "The Politics of Mercantilism," New York, 1942.

They have lost confidence in the profit motive and would exchange it for direction from Washington.

On examination, their planned economy invariably proves to be a collectivist one. This outcome is not surprising, for the only alternative to a system characterized by private ownership, freedom of contract, and individual initiative, is a régime characterized by public ownership and public administration. In between these extremes, it is but a question of more or less, and such practical questions are not the kind that attract the attention of those who are filled with evangelical zeal.

As previously suggested, Grand Scale Planning can only mean Collectivism for the reason that it is impossible for the State to plan without exercising over property some of the controls previously exercised by the private owners of it. What we call the right of private property is best understood if we think of it as a "bundle of rights," some of which can be taken over by the State, while others are left to the individual "owner." For instance, the State may "freeze" tires in the hands of dealers, who are thereby deprived of their customary right to sell while retaining their "ownership"—transformed by this manoeuvre into a hollow mockery. The transference of some—but not all—of the customary property "rights" from owners to the State is a device that leads to Collectivism without encountering the opposition that would confront a frankly socialist program.

There can be no doubt, however, that a continuous increase of state control of our economic life can lead only to Socialism, because it is only when the State is the owner of all the means of production and distribution that a maximum control is possible. The leading interventionists in the United States, known currently as advocates of "planning," know where their policies would lead, even if some of their

followers do not. For instance, George Soule says that every step in the direction of economic planning is a step away from capitalism "no matter how that word is defined." He predicts that the more advanced stages of planning will bring us something "closely akin to socialism."⁴

It is this grand scale planning for "prosperity" or "security" that encounters most of the opposition, particularly from the academic economists. Many of them will accept such "physical" planning as is represented by the TVA, the Boulder Dam, federally-subsidized highways, etc., but not many of them are Socialists. If they were, it is to be hoped that they would have the intellectual courage to say so rather than resort to euphemism. It must have been planning of this overall type which Professor Anderson had in mind when he described it as follows:

Governmental economic planning is back seat driving by a man who doesn't know how to drive and who, except in wartime, doesn't know where he wants to go.⁵

My prediction is that the professional economists, after the war, will be as opposed to grandiose planning as before, and for the same reasons. There is no reason to believe that at the end of our fight for freedom we shall be willing to scrap the free enterprise system, without which many of our traditional freedoms will be lost. It is more probable that, as at the end of the first world war, we shall be so tired of price-fixing, rationing, conscription and governmental bureaucracy that we shall make the mistake of elevating to the presidency some modern Harding who will try to lead us back to the fatal policy of isolation and normalcy.

Such a calamitous reaction is more likely to occur because some of the (economic) interventionists are already talking

⁴ George Soule, "A Planned Society," New York, The Macmillan Company, 1932, pp. 9 and 277.

⁵ Benjamin M. Anderson, Jr., "Governmental Economic Planning," *The American Economic Review*, Vol. XXX, No. 1, Part 2, p. 247.

of a post-war program of "welfare imperialism" to be applied to "the so-called backward countries." It is suggested that the methods of the TVA and the AAA might be applied to Mexico, South America and India.⁶ These gentlemen forget that if the restrictive policies of the AAA were applied to such a poor country as India, it would not be long before half the population would starve to death. Much of the scarcity planning of the AAA is a luxury only a rich country can afford.

Planning and the Imperatives of War Economics

IN WAR TIME, ALL ECONOMIC proposals are judged by their probable effect on our military effort. Discussions of rights and of abstract principles are largely postponed for the duration, and most of them could, with profit, be postponed indefinitely. When a state has accepted military conscription, it will accept any control of its economy which gives promise of hastening victory. Of any proposed control we ask only that it facilitate our military program.

To recall the innumerable economic controls that nations have adopted in time of war would be both tedious and futile. In modern times they include all types of priorities, rationing, price controls and the direct ownership and operation of arsenals, ship yards, railroads and merchant shipping. Practically all the controls which we exercised during the first World War have already been employed in the present one—and more will undoubtedly follow.

Those who are most disturbed about the increasing rôle of the Federal Government do not have in mind the controls which it exercises in time of war, but, rather, those which were aimed at recovery. This is dramatically illustrated in the case of Mr. Wendell Willkie. No one surpassed him in

⁶ This suggestion is made by George B. Galloway, formerly field representative, National Economic and Social Planning Association, in the book which he edited, entitled "Planning For America," New York: Henry Holt, 1941, p. 656.

the vigor with which he defended what he called the free enterprise system. Even his opponents respected the sincerity with which he attacked the restrictions imposed from Washington. But, to my knowledge, he has never lifted his voice against the even more rigorous controls now in effect, and we have every reason to believe that he approves of them insofar as they help us to get on with the war and restore the system of private ownership and individual initiative, the preservation of which, he believes, only our victory will make possible.

Whether these controls are well advised involves technical questions which lie outside the scope of this essay. We would, however, dim the hopes and allay the fears of those who believe that most of these controls will be continued when the war is ended. This conclusion is based on our experience after the first world war. It would be difficult to recall a single control then exercised which was not, after some intolerable delays, completely abandoned, and this, I believe, in response to the popular will. There were of course, certain groups that benefited from, and hoped to preserve, governmental intervention. The railroad workers wanted the government to continue to operate the railroads so that they might add their political power to their economic power and thus increase their pressure for higher wages, but the predominant opinion of the country was against them. Socialists of various shades urged then, and will in the future, that governmental ownership be extended, but they are so few that their pleas will be rejected in the future as in the past. Judged by their voting strength, the Socialists are now a more hopeless minority than they were even in 1918.

The Economy of the Post-War World

TO PROPHECY IS TO ENGAGE in a pleasant but hazardous undertaking that merits more encouragement than it receives. All who, like the writer, claim special gifts in this field, should

be encouraged to prophesy in print, so that in later years our people may judge their performance. The shape of things to come can be seen only in broad outlines and to profess to see them in clear detail is mere quackery. In general, I believe that the economic system of the Post-War World will be much more like the present one than is popularly believed. On every hand we hear that "things will never be the same again"; and while this is obviously true, such prophecies are generally pretty vague about the nature of the expected changes. Prophets are frequently unmindful of the fact that all changes must take place within the limits of the possible and that those limits are much more narrow than is generally believed.

It is frequently forgotten that neither the war nor the peace will materially alter the techniques of production, the unpleasantness of labor, the rotation of the seasons or the permanent features of the earth and of the men who dwell upon it. Nevertheless, at the advent of every war or new political administration there are always some who see the belly of the Present swelling with events of cosmic significance. Their fears and hopes are reminiscent of the panics that attended the close of the first millennium of the Christian era.

A liberal dose of history is to be recommended those who are prone to magnify the importance of military events. Only twenty-five years ago we entered the greatest war the world had ever known and the most common criticism of that venture is that it changed nothing of importance. In retrospect it must be clear that the tragedy of that era was not the war nor our participation in it, but rather that, in the Senate, a "little group of willful men" refused to permit the United States to enter the League of Nations and do its part in building the collective security that might have obviated the present disaster.

It is generally admitted that our wars with Mexico and Spain, while they expanded our territories, left us otherwise strangely unaffected. The Civil War and the American Revolution were major affairs, and yet most of us would find it difficult to name many important aspects of our life which were materially altered by these events. The expansion of railways after the Civil War probably changed our way of living more than the war itself, just as the development of the automobile after the Spanish War was of much more significance than the Battle of Manila Bay. The Revolutionary War, it is true, severed our political connection with the British people (a breach now happily undergoing repair), but otherwise it chiefly affected our lives by the stimulus given to American industries during the seven years of military operations.

By recalling our history it will be apparent that our present economic system is much more the result of our natural resources, our technology and our favorable man-land ratio than of any of the wars in which our nation has engaged. The favorable factors that have resulted in our high standard of living in the past will continue to operate in the future, unless, of course, we should lose the war, a possibility we dare not even contemplate. Even if this should occur, the resulting disaster would be due to the fact that we fought too little rather than too much.

Planning for Distribution

THE PRODUCTION OF GOODS and services, even in a private property regime, is a social process. The socially-produced goods must be "divided up," and there are but three possible methods of doing it. If the state performs this function we have Socialism. If private pressure groups are permitted to exercise economic power to alter the terms of exchange, we have a monopoly economy. The only alternative to these

methods is the free market system. In all modern states, with the possible exception of the Soviet Union, all three methods are employed simultaneously.

Socialism represents the last word in state intervention. A socialist state can distribute goods as it will, as they are now distributed by the head of a family. The State, standing *in loco parentis*, can either distribute goods equally, or on the basis of relative need, or in proportion to the productivity of its members. The Soviet Union has tried something of each of these methods but has finally adopted the last one for the reason that it provided the greatest stimulus to production.

A socialist state has many advantages that are lacking in a free enterprise economy. Its advantages are obvious, while its disadvantages are less apparent. They do, however, in my judgment, completely outweigh the advantages. In any event, the American people are so little disposed toward the acceptance of Socialism that the discussion of such a régime is completely academic—in the worst sense of that word. The real disputes in the United States center around the merits of the free market system as opposed to a regime characterized by pressure groups and the regulation of private production and distribution by government decree.

The Free Market System

A CHIEF ARGUMENT for the free market system is that, at least in normal times, it meets our demand for justice in the business of buying and selling. When one goes shopping for a hat, it seems right that he should be permitted to buy it from the man who will sell it for the lowest price. In the same way, the hat sellers are not normally reproached for selling their hats to those who will pay the highest price for them. However, because there are more buyers of commodities than sellers, the public is not so willing to agree that sellers may rightfully accept such prices as the free market affords. Es-

pecially during periods of short supply there will be talk of profiteering, but one seldom hears the complaint that buyers are profiteering when prices are below even the cost of production. How men can be so illogical and inconsistent in their ethical standards is a problem that must be left to the psychologists and the philosophers.

But notwithstanding the ethical criticism that is sometimes directed at the sellers in a free market system, that method is by far the most widely accepted one for regulating the terms of exchange. Men everywhere, whether civilized, or savage, whether from the land of Montezuma or the shores of Tripoli, have created opportunities for men to buy, sell and barter; and, provided the terms of exchange were freely accepted and no fraud was involved, their sense of justice generally has been satisfied with the prices that resulted from the competitive process. Or, to speak more cautiously (since man is given to grumbling and self-pity), even when he did not like the results of the free market system, neither he, his ancestors, nor his heirs, have been able to suggest a system that would win a more general approval.

In this connection it is significant that when the State or any of its subdivisions must buy or sell something, the public insists that notice be given, that the purchase be made from the lowest bidder, and that sales be made to the highest bidder. If, however, a private dealer buys in the cheapest market and sells in the dearest, especially if the dealer is a large corporation, it may be charged with "exploiting" both those from whom it buys and those to whom it sells. If a free market will provide a "just" price in governmental transactions it will do so in transactions in which the government is not involved. To insist on a double ethical standard in such matters is inconsistent and unreasonable.

A free market, like good health, is something we appre-

ciate only after it has gone. The minority that, even during the depression, defended it against the theoretical assaults of the (economic) interventionists, seemed to be engaged in a hopeless task. The public was told that the free market was as dead as the dodo, and its defenders were either reactionaries or old fogies who had not kept up with the New Economics. But now that the free market system is one of the first casualties of the war, we shall be more conscious of its merits. Its restoration will be one of the greatest prizes that will come with the restoration of peace.

A free market, however, does not just happen, and it cannot be preserved by a policy of "benevolent neglect" which, tradition says, created the British Empire. Those who believe in the free market must work to secure it and must exercise constant vigilance to see that it is preserved. Mr. Thurman Arnold of the Anti-Trust Division of the Department of Justice has abundantly testified to the difficulty of keeping it free.⁷ Many of those who criticize the alleged failures of the free market system fail to realize that its recent performance was largely impaired by the deliberate obstruction of business and labor monopolists who flourished under the almost benevolent eyes of a starved and listless Department of Justice.

But the impotence of the Department of Justice was due basically to the fact that many had lost their faith in the free market system. Particularly since the first world war, both business and labor had been converted to a belief in "administered" prices and "negotiated" wages. Both groups were opposed to the free market system and their opposition prompted both the President and the Congress to treat our Anti-Trust Laws as a rather quaint survival of an old regime to which only nominal respect need be paid. No vigorous

⁷ See his "The Bottlenecks of Business" (1940) and "Democracy and Free Enterprise" (1942).

defense of the free market system could be expected from a Congress that had passed the NRA and the AAA, the declared objectives of which were, in part at least, the destruction of the free market in every field over which Congress had jurisdiction. Without faith and vigilance, the free market perishes.

What Do the Anti-Planners Want?

AT ABOUT THIS STAGE, or earlier, many of my readers will have me classified as a defender of the *status quo ante* Roosevelt and an uncritical disciple of my distinguished namesake, the Great Engineer. It is time to set them right. Both by temperament and intellectual conviction, I am a radical in the literal sense of that word. The changes which I would make in our economic system are more fundamental than most of those advocated by the planners, and are, in fact, so revolutionary that they are much less likely to be accepted by a generation so lacking in imagination and daring as our own.

Economic policies are aimed either at increasing the production of goods and services or altering the distribution of them. Plans to increase production are largely centered on the problem of the business cycle, for, apart from depressions, our record for production has been fairly satisfactory. Our system produces generously when it is operating to capacity and there is no reason other than economic ignorance why capacity production cannot be maintained.

This is not the place for an elaboration of business cycle theory. I can only record my judgment that depressions are caused primarily by the actual and anticipated fluctuations in the price level and that any solution of the problem must include methods for stabilizing the value of our monetary unit. That economists are familiar with various ways to accomplish this end is no longer in dispute. To stabilize

prices we need know only how to make them rise and how to make them fall. That we know at least one way to make them rise is clearly shown by the fact that we are now making them rise so fast that the whole nation is alarmed. Nor should we conclude that a war is necessary to achieve full employment. If we had spent for peace but a fraction of what we are spending for war, we could have maintained or increased the price level at will and all could be employed in producing houses, cars, bath tubs and the like, instead of lethal weapons.

Prices can be made to fall at any rate and to any point by such devices as increasing the reserve requirements of commercial banks, raising the rediscount rate, and by paying off the national debt with the taxes that are collected in excess of expenditures. The methods are well known and if we ever fail to employ them when needed, it will be because the will, not the knowledge, is lacking.

Some of us who are skeptical of expanding governmental powers are more concerned than are the planners with the elimination of incomes to which the recipients have no right. If large incomes are received by those who use their monopoly power to exact prices beyond what a free market would give them, it is better to destroy the monopoly than to attempt to redistribute the income that it affords. Incomes should be examined as to their quality as well as their size, and a wise people will be vigilant in providing that no incomes are possible except in return for some socially-useful service.

One form of income, long open to question, comes from the private appropriation of the free gifts of nature. The earth, being the product of no man's labor, would seem to be something to which the members of each generation would have equal claim. Although the earth cannot be equally shared, the income from it can be shared through the simple

device of using it to meet the expenses of government. However, rather late in human history, we permitted the earth to become the property of private persons, and from it they derive an income that cannot be justified by any service which they perform as owners.

Those who defend the private appropriation of economic rent do so, not on the ground that owners *qua* owners perform any useful service. Among those who defend such private appropriation, the economists at least are well aware that the land values that yield the rent are socially-created values and are in no way the result of anything that the owners do. They defend the private appropriation of these publicly-created values on the ground that the owners "earned" the money with which they bought the rights to the land. Some of us, however, cannot agree that a right to an unearned income can be established by showing that the money with which the purchase was made was rightfully earned. Among those who really understand the nature of land and of economic rent, the advisability of its public appropriation becomes, therefore, pretty largely an ethical question and should be taken out of the field of economics and shifted to the field of ethics where it belongs.

There is, of course, an economic argument for the social appropriation of economic rent, for such appropriation would make it unprofitable to hold land out of use. Moreover, it would prevent the underdevelopment of urban tracts whose owners now find it profitable to preserve dilapidated structures on valuable land while they are holding it for speculation. Idle and underdeveloped land certainly means that our production is not as great as it might be, but unfortunately, there is not, to my knowledge, any data or even estimates of our annual losses from these twin evils. While we were officially encouraging scarcity, it was at least con-

sistent to put up with these losses; but now that we are attempting to maximize our production, it is intolerable that we should permit them to continue.

Even after we have eliminated the incomes derived from monopolies and the private appropriation of the free gifts of nature, society must, of course, continue to make provision for those, even the able-bodied, who cannot provide for themselves. I believe that experience will reveal that there will be fewer abuses in the administration of relief if it is administered by local authorities who have at least some financial incentive to prevent such abuses. A society that is intelligent enough to have no fear of abundance will make some provision, of course, for utilizing the labor of such able-bodied persons as cannot find employment in the normal fashion. This means work relief instead of the dole.

When, in the post-war world, we have completed these reforms, I believe we should go slowly in utilizing the powers of government to equalize incomes. Too many of the interventionists seem to agree with Voltaire that "the art of government consists of taking from the rich and giving to the poor." They should recall that Voltaire enjoys a greater reputation as a wit than as an economist. After we have provided that all incomes shall be really "earned," we shall probably find that a rigorous use of the inheritance tax will accomplish as much equalization of income as we shall find expedient. Advocates of intervention should recall that in the Soviet Union, where governmental intervention has been carried farther than in any other country, they have found it necessary, in the interest of production, to adjust rewards to the value of services performed. There is probably as much inequality of income in the Soviet Union as there is in the capitalist countries. The Bolshevists, in fact, have found it expedient to condemn the ideal of equal income as a "bour-

geois doctrine," than which, of course, there is nothing worse in the Soviet world.

It may be said that the program I have formulated calls for so much governmental interference that I should be classed with the (economic) interventionists whose philosophy I have criticized. But there is, I am sure, a fundamental distinction between the rôle of government as envisioned by such writers as Adam Smith and Henry George, and the collectivist planners who would magnify the proprietary rôle of government until our economic system resembled some gigantic WPA.

It is, in fact, our experience with the WPA which may prove to be the greatest obstacle in the way of those who would put the government in the place of the private entrepreneur. If our operation of that ill-starred venture had met with the disapproval of only capitalists and business men, we might look forward to a great expansion of government ownership in the post-war era. However, judging from my personal observations, the American workers—even those who were at times "on the WPA"—held it in humorous contempt. They were and are unimpressed with our first large scale attempt to provide public employment. Harry Hopkins, *et al.*, may have been wiser than they knew when they said they were seeking to preserve the free enterprise system.

Our Mistrust of Government

THE GREAT OBSTACLE TO ANY program of increased intervention, in the United States at least, is a profound distrust of governmental capacity. There is a general belief that our governmental machinery, at all levels, is staffed by office-seekers who are efficient only in vote-getting. The exceptions serve but to illuminate and prove the rule. The interventionists can hardly hope to win the American people to

their program until the structure of American government has been modernized and rationalized.

For instance, those who argue for an expansion of municipally-owned enterprises are confronted immediately by the fact that municipal governments in the United States, by and large, lead the world in both inefficiency and corruption. It is one thing to urge an extension of municipal ownership in countries like Great Britain, where the municipal governments have enviable records, but it is quite another thing to argue that increased power should be given to the political bosses of the type which too frequently rise to power in such cities as New York, Philadelphia, Jersey City, Chicago, Kansas City, San Francisco, and way points.

If it is proposed that intervention should come from a larger political unit, something comparable perhaps to the London County Council, the way is barred by the absurd governmental structure of most of our counties. The typical American county government is a headless monster, made up of a bewildering aggregation of elected and appointed officials. It is pilloried in every text-book in political science and deserves its reputation as the most illogical governmental structure ever devised. The prospect of giving increased power to the typical county is too awful to contemplate.

There are also such *ad hoc* instrumentalities as the New York Port Authority, the TVA, and the East Bay Municipal Utility District that provides water for all the cities on the Eastern shore of San Francisco Bay. These special agencies, although organized in different ways, are reputed to function with considerable efficiency, but their very existence proves that the conventional governmental units are ill-equipped to meet the needs of those they serve.

There remain, then, the States and the Federal Government, whose efficiency is imperilled by the bickering and

buck-passing which results when the chief executive is not chosen by, and responsible to, the legislative branch of government. If the chief executives of our States and the Federal Government were made responsible to the legislative branch of their governments, as the Prime Minister of Britain is responsible to the British Parliament, as the managers of corporations are responsible to their boards of directors, and as the mayors of our council-manager cities are responsible to their councils, some of us might look with more favor on increased governmental intervention.

In conclusion, one must register surprise that the advocates of governmental planning and intervention have given so little attention to the modernization and improvement of our governmental systems. Such improvement must certainly precede any general acceptance of increased intervention, but the average planner, like his socialist contemporaries, proceeds with a naïve unconcern for the political machinery on which successful planning must depend.

Labor-Management Planning

SOME PLANNERS ATTEMPT TO BY-PASS the whole problem of governmental ineptitude by suggesting that the planning may be accomplished through labor-management cooperation. For example, Professor Carlton, in the April issue of this JOURNAL,⁸ expresses the hope that, after the war, the energies of the trade unions may be "channeled into social and recreational activities and, more important, into union-management co-operation." We once thought it a bit optimistic to expect the Lion and the Lamb to lie down together, but some now predict that after the war these traditional foes will permit themselves to be harnessed together into a team. Labor and capital are not to be concerned primarily

⁸ Frank T. Carlton, "Industry in Democratic Post-War Reconstruction," *AM. JOUR. ECON. SOCIO.*, Vol. 1, No. 3, pp. 313-6.

with their selfish interests, but rather with the maintenance of industrial peace and the expansion of production.

This apocalyptic vision, described by Professor Carlton and others, is so sweet that even the sturdiest rogue must regret his inability to see it or believe it will ever materialize. Certainly there is little in the history of the organizations of either employers or workers to support the hope that, after the war, their selfishness will be either washed, burned or withered away. All human experience discloses that wars are more likely to change political frontiers and the character of lethal weapons than the sinful nature of men. There is, of course, the likelihood that in the future as in the past, certain industries may secure the co-operation of the unions with which they deal, but when they do, the public should beware. We have seen labor and management co-operate to the end that tariff walls may be elevated, or that low-cost materials and methods may be excluded from local markets. The files of the Anti-trust Division of the Department of Justice contain many reports of such anti-social behavior and a full account of them would add much to the picaresque literature of our time. Since much of this material has to do with pending litigation, it cannot be publicized and the reader must resort to such books as Thurman Arnold's "Bottlenecks of Business," or perhaps interview (in prison) one Willie Bioff, the ex-labor leader, who "cooperated" with the Movie Industry until it seemed advisable to turn him over to the Law.

Those of us who would destroy the pressure groups that hamper the operation of the free market are frequently charged with a lack of realism. We suffer, it is said, from nostalgia for a régime that never was and never will be. But the charge of being impractical ought not to be leveled at us by those who envision a post-war world in which the

leopards who lead the pressure-groups will exchange their spots for a soft, seraphic fuzz. After the war, as now, if we are to have a free market, it will be at the price of eternal vigilance and resolute law enforcement.

The American people are already convinced that monopolistic practices on the part of giant corporations are intolerable. Where competition is impracticable, the industry is subject to control as a public utility and the list of such utilities may well be expanded. But as a regulative device, the free market system is superior to any system of governmental control. Economic freedom means that wherever possible men shall be free, not only from the militarists of Berlin and Tokyo, and from the monopolists wherever they are, but it means they shall also enjoy a maximum freedom from governmental control. In the domestic sphere this is the essential difference between a free society and a totalitarian regime, and it is not likely that, after our defeat of the totalitarian powers, we shall emulate their domestic policies. In the future the bells of freedom must ring, not only in the Independence Halls of the world, but in the market-place, if they are not to emit a hollow sound.

The linking up of all peoples who are fighting for freedom must be accompanied by the establishment of parallel machinery and procedures by which a positive program can be mapped out for carrying on a world at peace.

WALTER NASH