
Pertinent Lessons from past Depressions

Author(s): Francis Neilson

Source: *The American Journal of Economics and Sociology*, Jul., 1961, Vol. 20, No. 4 (Jul., 1961), pp. 361-376

Published by: American Journal of Economics and Sociology, Inc.

Stable URL: <https://www.jstor.org/stable/3484374>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <https://about.jstor.org/terms>



is collaborating with JSTOR to digitize, preserve and extend access to *The American Journal of Economics and Sociology*

JSTOR

Pertinent Lessons from Past Depressions*

By FRANCIS NEILSON

POLITICAL EXPEDIENTS as palliatives to tide over periods of bad trade and prodigal expenditure have a sad history. Although the results are written large in volume after volume, dealing with the story of the rise and fall of peoples and nations, these measures lose none of their attraction for those who know that cures for the trouble might make things worse. It was of singular interest during the recent election to listen to the comments made by influential critics upon the programs offered by the presidential candidates for reviving industrial and commercial enterprises, with a view to placing the so-called "economy of the country" upon a sounder basis.

Since the inaugural speech of President Kennedy and his report to Congress on the State of the Union in January 1961 there have been some shrewd critics who detect a repetition of palliative measures to strengthen the confidence of the captains of industry. There have also been remarks betraying some surprise that the first two important measures to be dealt with by Congress are inflationary in tendency. Yet, from what has been described to me of the character of the critics, their ages and qualifications, I do not find one whose experience in industry or in an institution of learning carries back to the crisis in this country and in England which followed the close of the First World War.

It is strange, too, that I cannot bring to mind a work by a skilled recorder of industrial and social crises which tells the story as I know it. My position during the First World War and for many years afterwards was unique in this respect: that I had been a Member of Parliament and came to this country eighteen months before America sent her troops to fight in Europe.

Unemployment and Doles

THERE ARE TWO INCIDENTS in my recollection of the state of affairs after the signing of the Treaty of Versailles that might help our puzzled legislators to act wisely in dealing with the crisis. When I reached London in 1921 I found all my business friends in a gloomy mood about the future. Processions of the unemployed wended their way from the East End slum districts, down the Strand to Trafalgar Square. Men, women and children sang bits of songs and cried out slogans. Some of them moved along the gutters with money boxes, shaking them at passers-by for coppers or silver bits to buy bread for the hungry. One banner bore the statement, "We fought for glory and cry for bread."

* [This is the final article written by Mr. Neilson before his death on April 12, 1961.]

Another incident was somewhat unique in my experience. My wife's brother, who was in London, received a call from St. James' Palace to visit the Prince of Wales. After the interview was over, he lunched with us and told us what had passed between him and the Prince, whom he had entertained in Chicago. As Prince Edward came into the room where Louis Swift was waiting, he cried, "Well, Mr. Swift, what the hell's the matter with us?"

Louis was so taken aback at the brusque question that he could only stammer, "Well, Your Highness, heavy taxation and doles don't go together."

"Right!" said the Prince. "But we couldn't have a revolution."

I have often thought about this and wondered if Louis had the slightest inkling then of the troubles he would encounter within a twelvemonth. As it was in England, so it was in America, and there was a period of dire distress.

The legislators in Washington and in the capitals of the states were at their wits' end to know how to deal with the problems that were multiplying month by month. Doles at that period could scarcely appease the distressed. In Chicago, day after day, when I took my noonday walk, I encountered man after man asking for alms and where he could get a meal. An inspector in the district told me that seventy-five per cent of these people were not in want but took the opportunity to make a bare living by pretending to be bona fide unemployed persons. Two of the centers in which my wife was interested provided food each day for several months, and one of the greatest difficulties was to make sure that it went to those who really needed it.

My own experience in giving small change to men I thought were genuinely needy folk was curious. To give one instance: I gave a man a dollar and asked him to come with me to the back door of the house. There the housekeeper put up a parcel for his wife and three children. Shortly after he left, I became suspicious for no particular reason. I gave the gardener the address I had written down, and told him he might go over and check up when he had time in the afternoon. This was done, and the report was that the man was quite drunk when he came in with the parcel, and only about half of it was given to his wife.

Now the problem is: how are legislators, in dealing with the needy, the infirm, the aged, to insure in the provisions of their bills that the money, at this time of heavy taxation, will go to the people who deserve it and whom the President is desirous of helping? Is there any way of

doing this? Experience has taught us that no one now is so sanguine (even in time of dire distress) as to imagine that such measures will be carried out by honest people.

During the depression years of the early Twenties I had some opportunities of learning for myself how the aged and the sick ministered to by pensions and insurance funds were faring. It was not necessary to see first hand any of the depressed areas, for my friends in Shropshire, Lancashire and Yorkshire reported to me the sad plight of their kinsfolk. Visits to my old friends brought me in direct touch with those who were concerned in one way or another with helping the distressed. In Chicago many English friends on business trips gave the chance of learning what had happened to British trade.

Sir Charles Sykes came to me, and when I asked him what he was doing in Chicago, he said, "Peddling cloth." This laconic reply astonished me, for Sykes had been the head of a great West Riding firm of cloth manufacturers and, during the war, had been the chief of the government department that controlled wool. His description of the condition of factories in the Galashiels neighborhood was a somber one. For he knew that the war had lost us our best customer for woolen goods.

My chat with Sykes convinced me that he realized all too late that the war had been a big mistake. His opinion of affairs, put into a single statement, might be summed up as follows: "The pre-war caps that would scarcely fit our swollen heads now hang loosely about our ears."

He was not the only one who came to see me in Chicago, who had to turn to and drum up some trade. I had visits from Arthur Ponsonby, Josiah Wedgwood, Granville Barker, Raffalovich and others, who had various stories to tell me of the havoc caused by the war and the stupid Treaty of Versailles.

During the years between the winter of 1922 and the autumn of 1927, when the depression was most severe, I learned month after month that it was not only the aged and the sick who were gravely hurt by the woe. There were men, whose position before the war seemed secure for a lifetime, who now asked for relief as a gift or a loan. I knew what these men suffered in having to make such an appeal. They asked small amounts for present needs, "just to tide over the crisis." There was not a note I received that did not have its line of sanguine prophecy of a change for the better taking place. A score of my friends who had been in Parliament with me felt the pinch, and I think it was the cruel disappointment of the outcome of the war that turned some of these men from being "bloated jingoes" to revisionists.

Wise Counsellors Needed

A FRIEND IN ENGLAND sent me an article from one of the leading Sunday papers. There was one sentence that made me smile rather dolefully. It ran thus: "In a time of great national crisis, where are we to look for wise counsellors?" It is strange how some intellectual and spiritual conversions arise. In this case it was sheer disappointment over the hopes that had been fostered by nearly all the principal newspaper editors of England before August 1914.

The writer of that article would have poured scorn upon anyone who had asked such a question when Parliament was sitting in days of peace. Yet, ever since Churchill was sent to the Admiralty in 1911, there had been men on both sides of the House who questioned seriously the enormous expenditure upon armaments, but no information was forthcoming to justify that policy. Wise counsellors are hard to find at any time in the open forums or in the legislatures.

In some periods events change the whole outlook over night. I distinctly remember standing in the members' lobby of the House of Commons on Friday, July 31, 1914, just about the hour of adjournment, when several members who had been in the City all morning came in. Alfred Mond, looking as if he had been ransacking a rag bag, said he did not know whether he was solvent or not. Even the neat and natty Banbury, the banker, looked as if he had been tossed about by some rough handlers. These men were almost in a state of panic.

Who was the wise counsellor that might have told them on the previous day there was to be a crisis on the stock exchange, brought about by the feverish activities of the movements of troops and the dreadnoughts? Yet, there were men sitting behind the Treasury Bench who were convinced there would be no war. Even as late as the afternoon of Sunday, August 2nd, I met Charles Trevelyan at the corner of Downing Street and Whitehall, just when a troop of soldiers equipped for trench warfare moved in the direction of Victoria Station. He gave them a glance and said to me, "There'll be no war, Neilson."

The disappointments of the first weeks, as the reports came in from Belgium and from disasters to naval vessels round about our shores, did not engender qualms of despair. Every other man you met said he was assured by someone in a position to know that it would all be over by Christmas time. In August 1915, Lord Esher of the Committee of Imperial Defense wrote to the *Glasgow Herald* as follows:

From the outset of the war I have been thrown into the company of

practically every one of our leading statesmen, and I have found them all wrong in their forecasts without exception. They genuinely believed in a short war. They prophesied its conclusion in anything from three to nine months. They jeered at a less optimistic view, and hardly one of them but held that before now [August, 1915] the British Army, accompanied by political plenipotentiaries, would be marching through Berlin.

Wise counsellors! When I read this letter to a friend from America who was visiting England, I reminded him of the sanguine hope of Lord Palmerston that the Crimean War would be over in a few weeks.

Who stops, at such times as we are now passing through, to ask our academic economists and historians to state plainly—bluntly—the causes that bring them about? Who, today—on Capitol Hill, in the White House, or on any other forum—asks for a clear statement to be made of our misfortunes since Woodrow Wilson was persuaded to send American troops to Europe? They can be traced back easily enough by a skilled historian, but the trouble is that it would be a most unpopular exercise. We are ready to forgive because it is the simplest way to forget. Memory of such affairs causes mental discomfort, and for those who have higher feelings, a shock to the conscience.

Our present difficulties may be taken as an indication of the little thought that is given to the questions of how and why these disturbances in trade arise. It would not be difficult for a skilled statistician to trace this depression to its progenitor. One look at the tables of the growth of expenditure and debt since the Treaty of Versailles should be sufficient to convince any serious-minded student that we are now paying for the blunders that were made by those who supported Georges Clemenceau's "vindictive" treaties of 1919, as they were called. *The World Almanac* gives all the information that is necessary to convince the most stubborn jingo that we are now paying for our adventures in Europe which began in 1917.

One of the most extraordinary revelations of a study of this order is to learn there were statesmen after the great victory of November 1918 who imagined a crippled Europe could in any way stimulate production in their own factories. Indeed, it can be pointed out that there were some statesmen here and in England who believed that the worse things were for Central Europe the better it would be for England and America. Winston Churchill, when he was Minister of War, was out to destroy the German people, not for a moment realizing that she had been Britain's best customer. He failed entirely to see that if the trade center of Europe as a whole was crippled, the rest of the countries would suffer. In the

House of Commons on March 3, 1919, Mr. Churchill stated:

We are enforcing the blockade with rigour, and Germany is very near starvation. All the evidence I have received from officers sent by the War Office all over Germany show: firstly, the great privation which the German people are suffering; and, secondly, the danger of a collapse of the entire structure of German social and national life under the pressure of hunger and malnutrition.¹

One London paper reported that the information was received by the House with "vindictive satisfaction." Six months before Churchill reported on his blockade of Germany, the medical scientist, Dr. Saleeby, was quoted by the notorious Wile in *The Weekly Dispatch* of September 10, 1918 as follows:

. . . I should say that for every more or less normal infant-life preserved in Germany under present conditions, there are three or four infants who are condemned to live and grow into damaged human goods, so to speak. That means that in 1940, there will in all probability be a race of German physical degenerates.²

The true state of affairs of the havoc wrought by the blockade was told by Henry Nevinston, and the figures of the damage done to life were published in the *Daily News* (London). However, this was only one aspect of the blundering policy of the British and French victors. The reparations delivered by Germany choked all the channels of the basic industries of the Pas de Calais: coal, machines, textiles, and other manufactures brought the mills in France almost to a standstill.

We should remember, at this time when Africa and many parts of Asia are suffering revolutions that threaten to put an end to the dominance of the west, that Churchill's blockade came to a sudden conclusion as a result of a telegram from General Plummer to Lloyd George, the Prime Minister, that British troops were protesting against the treatment of women and children in the occupied areas.³

The order of the day seemed to be depression following upon depression. My visits to England, France and Germany during the Twenties convinced me that the Europe we had known for over forty years of peace would never be restored. There might be short-lived booms, but owing to the enormous debts of the countries, inflation would be the system that would prevent normal conditions being re-established even by wise fiscal legislators.

¹ Quoted in F. Neilson, *The Tragedy of Europe*, Appleton, Wisconsin, C. C. Nelson, 1944, Vol. IV, p. 332.

² *Ibid.*, 1940, Vol. I, p. 79.

³ See *Ibid.*, Vol. IV, pp. 332-3.

Debauching the Currency

THE LESSONS to be learned from past depressions seem to escape the notice of many of the advisors who are within earshot of the heads of our department. Letters have appeared recently raising questions about the wisdom of the first two measures that went to Congress: One for medical aid for the aged, and the other to liberalize Social Security benefits. It might be well for some of our mentors to reflect upon the wonders that were to come from the British Government's schemes for old age pensions and sickness insurance that took up so much time in the House of Commons before the First World War. Inflation, after the Peace of Versailles, gravely affected these so-called panaceas.

We should take every opportunity at this time to learn something from the past, because there is very little difference between the remedies recommended in this crisis and those that were tried before and after the two World Wars. In this connection I would strongly urge professors of economics and sociology in our colleges to read John Maynard Keynes' book, *The Economic Consequences of the Peace*,⁴ which may be found upon the shelves of college and university libraries. For there is scarcely a matter that calls for deep consideration in the industrial and social strata of this system of the taxation of wealth that is overlooked by Keynes. He cites Lenin's statement that the best way to destroy the Capitalist System was to debauch the currency, and comments as follows:

. . . By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens. By this method they not only confiscate, but they confiscate *arbitrarily*; and, while the process impoverishes many, it actually enriches some. The sight of this arbitrary rearrangement of riches strikes not only at security, but at confidence in the equity of the existing distribution of wealth. Those to whom the system brings windfalls, beyond their deserts and even beyond their expectations or desires, become "profiteers," who are the object of the hatred of the bourgeoisie, whom the inflationism has impoverished, not less than of the proletariat. As the inflation proceeds and the real value of the currency fluctuates wildly from month to month, all permanent relations between debtors and creditors, which form the ultimate foundation of capitalism, become so utterly disordered as to be almost meaningless; and the process of wealth-getting degenerates into a gamble and a lottery.

Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of de-

⁴ New York, Harcourt, Brace and Howe, 1920.

struction, and does it in a manner which not one man in a million is able to diagnose.⁵

The chiefs of government in Great Britain, France, and the United States who attended the Peace Conference in Paris in 1919 were men of some business experience and acumen. They had as colleagues men who were supposed to be skilled not only in domestic affairs but in the trade between nations and with peoples of other lands. The list of names of men gathered there contained not one who could be called a European or a pacifist. Lloyd George said the war was perpetrated, conducted and won by "practical" men. Only two persons seem to have been conscious of the blunders of the Treaty, and they were Keynes and my old friend, Dr. Frederick Howe. Both predicted the collapse of the European system of exchange.

I spent two summers in Berlin in the early Twenties. I was in touch with bankers and merchants. Nearly every day I used to visit the Berliner Handelgesellschaft and discuss matters with my friend, Siegfried Bieber, who had become chief, succeeding von Furstenberg. Our experience in being offered precious things for sale was no different than was that of other well-known Americans. Old masters were to be found at the Van Diemen Gallery as well as at other picture dealers' places, some of them going for a few thousand dollars. Jewels from wrecked courts, and other ornaments were bought for a fifth or a sixth of their value. The distress of the Germans was pitiable, if such a term could be used at that time, for pity there was none.

My experience was rather unique, for I had the opportunity of discussing this condition with distinguished men who were conversant with what was taking place. I saw Einstein, von Bode, von Reventlow, young Bissing, the American minister, Horton, and clerks from the British embassy. I remarked to an American friend that the amazing thing to me was that no one was thinking about the future of Europe. The bitterness of the misinformed visitors from America—even those of German descent—seemed to be in strange contrast to their desire to buy as cheaply as possible a picture or a jewel. However, it was in England that practical men lost their business heads by indulging in the most preposterous notions for utterly destroying Germany. J. M. Keynes, in his book, cites the following case:

. . . The grossest spectacle was provided by Sir Eric Geddes in the Guildhall at Cambridge. An earlier speech in which, in a moment of injudicious

⁵ *Ibid.*, pp. 235–6.



Francis Neilson in the living room of his Port Washington home, 1959.



Francis Neilson, as he was welcomed to his stall by Dean Dwelly, Liverpool Cathedral, 1948.

This content downloaded from
149.10.125.20 on Sun, 20 Feb 2022 19:01:52 UTC
All use subject to <https://about.jstor.org/terms>

candor, he had cast doubts on the possibility of extracting from Germany the whole cost of the war had been the object of serious suspicion, and he had therefore a reputation to regain. "We will get out of her all you can squeeze out of a lemon and a bit more," the penitent shouted, "I will squeeze her until you can hear the pips squeak"; his policy was to take every bit of property belonging to Germans in neutral and Allied countries, and all her gold and silver and her jewels, and the contents of her picture-galleries and libraries, to sell the proceeds for the Allies' benefit. "I would strip Germany," he cried, "as she has stripped Belgium."⁶

Geddes was one of England's leading business men, a practical man of commercial affairs. It is strange that no one thought of asking him if England could afford to lose Germany as a trade customer and as an outlet to neighboring peoples for British goods. He had to find that out in a few years.

If men really want to know today why we are suffering from recurrent trade depressions, all they have to do is to go back to the First World War and trace the effects of the gigantic expenditure and paralyzing debt that war has inflicted upon the peoples of the world. The morphology of one severe depression differs little from that of another. There is no such thing as a "new" depression, a sudden change never before experienced.

Paternalism and Bureaucracy

LLOYD GEORGE'S DECLARED INTENTION of making a treaty that would not contain the seeds of another war was defeated by the Round Robin conspiracy, whose chief promoters were Kennedy Jones, a journalist and associate of Lord Northcliffe, and Major Wood, who afterwards became Lord Halifax. The story is told in Jones' book, *Fleet Street and Downing Street*.⁷ About 250 members of the House of Commons signed the Round Robin, which demanded a treaty of the utmost severity. It was all that! After a year or two of draining the vanquished country of essentials, through reparations, the Allies found to their cost that they were paying heavily for a decrepit Germany.

Meeting after meeting was held in various resorts along the Riviera, in order to find a way of easing the burdens they had imposed upon themselves. Depression after depression followed during seven or eight years. Then came the world-shaking slump—the crash of 1929.

In some respects conditions today are not dissimilar from the pattern that was woven in 1927–28. Inflation in the spring of 1929 found the soothsayers of the market were short on prophecy. There were men

⁶ *Ibid.*, pp. 142–3.

⁷ London, Hutchinson and Co., 1920.

then who sent out warnings of what might happen, but the mass of investors and politicians looked upon them as killjoys. For three weary years the administration in the United States wrestled vainly with palliatives, which, in some respects, made matters worse. Month after month the figures of unemployment rose until they reached eleven million. The change of administration in 1932 was welcomed by business men generally, irrespective of their party affiliation. It was hoped that by bringing groups of academicians—some from the departments of economics, sociology, history and business administration—in to advise the president and the cabinet, solutions would be found for checking the despair. Then came measures that were to work wonders: N.R.A. and C.C.C. among others.

I had first-hand information about how these agencies were put into operation. In connection with the National Recovery Administration in a midwestern state, I had the companionship of a man at the head of one of the divisions, and he told me regularly of the preposterous notions the framers of the measure had about workaday industry. The confusion that was caused would have been amusing if it had not been happening at a time so grave. N.R.A. had to be given up.

The winters that I spent in the southwest gave me the opportunity to visit one of the largest camps of the Civilian Conservation Corps. There I came in touch with some of the men in charge who told me that seventy-five per cent of the operation was merely a make-work scheme that called for the use of the pick and spade.

The Works Progress Administration, too, had to cope with difficulties never envisioned by the framers of it. After two or three months the complaints were loud about the increase of the unemployed seeking a job of "leaning on a spade." This shaft, leveled at groups of men tidying up parts of roads, mending shoulders of the highways and deepening ditches was mild in comparison to some that are scarcely printable. One day in Chicago, riding through the lakeside drive, the chauffeur reduced speed to almost a crawl and drew my attention to two groups of men. One was working on a small coppice of young trees that had been planted the year before. There were two men pushing spades into the earth and six men trimming the border. My chauffeur said that the day before one of the regular employees of the Park Commission had told him they had been "messaging about" for a fortnight on work that could easily have been done by two men in two days.

The measures that have been asked for to relieve the stringency of

the recession will call for an increase of bureaucrats to administer their provisions. There are many other surprises in store for legislators when they learn that provision for the aged and for sick relief will bring about many changes in households, so that the responsibility for the care of parents and relatives will be cast upon the government. All this depends upon the conditions of the individual who applies for relief. That there will be nepotism, favoritism and, particularly, local political advantage must be obvious to those who remember the experiments in paternalism that were endured for more than eight years before Pearl Harbor.

In 1933 I wrote a critical review of conditions, which was ignored by the popular prints, but received some favorable notices from trade papers. This work was called *Control from the Top*,⁸ and in it I attempted to expose the economic fallacies behind the reasoning of authors who thought government knew better than captains of industry how to inaugurate a system of full employment. The year after, I bought out a book called *Sociocratic Escapades*.⁹ They are both out of print, but if they can be found in a library, it would be worth the while of any taxpayer curious about what is suggested now to relieve the present grave conditions to peruse these two books and learn from them what took place more than twenty-five years ago.

Impoverishing the Taxpayers

TRADE DEPRESSIONS do not spring unheralded out of an unclouded fiscal past. I can assert that the Suez crisis of October 1956 had a significance for us not wholly appreciated by our State Department. The attack upon Nasser through the Gaza strip was an onerous, costly adventure for the taxpayer of this country. There were many surprises in store for those who were concerned in the attack upon the Gaza strip, and when at length the whole pretentious plan came to nought, we had to go to the assistance of Great Britain to the tune of \$500,000,000 to save her from a financial crisis.

In an article for this JOURNAL, entitled "Unrest in the Middle East,"¹⁰ I dealt at length with the ill-conceived imbroglio that nearly precipitated a hot war. The amount of money Great Britain received from us as a result of the failure of the scheme to suppress Nasser's revolution would have paid the interest upon more than \$10,000,000,000 of the debt. In

⁸ New York and London, G. P. Putnam's Sons, 1933.

⁹ New York and London, G. P. Putnam's Sons, 1934.

¹⁰ April 1957, Vol. 16, No. 3, pp. 225-35.

this case, generosity went to greater lengths than was ever known before between governments. The taxpayer may say, when he turns this over in his mind, "We could do very well at present with the grant that was made to Great Britain." That we are now short of funds and that every avenue of collecting revenue is being explored should make the taxpayer reflect upon the unwisdom of lavish gifts that impoverish the proletariat.

Before I lost my sight, I searched book after book in vain for some words of wisdom, culled from the men who handled our affairs before the days of the McKinley tariff. Only today I learned that some of our practical educators, alarmed at the present lack of understanding among students, advocate a thorough revival of the principles and sentiments expressed by the men who led our political forces before the First World War.

Sometimes we come across a reference to the "Founding Fathers" and are reminded of the men who made America. But only meager scraps of information round out the knowledge given to the student. It is left to him to go elsewhere to learn what these pioneers of this land did to make it a home for the oppressed of Europe. Complaints are made that we are so short on history in our schools that the time has come to impose special courses upon high-school students. One of the few essential statements made by an economic authority upon the difference between the principles held by our government before the turn of the century and what obtains today as political wisdom will be found in "An Analysis of Critical American Problems." This is an address given by Herbert V. Prochnow, Vice President of the First National Bank of Chicago, before the American Bankers Association in Chicago on September 22, 1958.

It should be reprinted in the form of a booklet and widely distributed among manufacturers, bankers and heads of institutions of learning. For I know no other statement, which covers so wide a field of inquiry into our political history and puts it so clearly for the ready understanding of the reader. He does not have to pause occasionally to get the drift of the argument. He can read on steadily, and every sentence tells in quick succession. Mr. Prochnow quotes a statement of President Grover Cleveland, made when he vetoed an appropriation of only \$25,000 to buy seed corn for the farmers of Texas who had been ruined by a drought. This is what the President replied to their petition for aid:

I can find no warrant for such an appropriation in the Constitution, and I do not believe that the power and duty of the general government ought

to be extended to the relief of individual suffering which is in no manner properly related to the public service or benefit. A prevalent tendency to disregard the limited mission of this power and duty should I think, be steadfastly resisted, to the end that the lesson should be constantly enforced that, though the people support the government, the government should not support the people.

Since the days of Cleveland we have lost our bearings not only in domestic affairs but also by departing from the tradition of the New World policy to avoid European entanglements. The Constitution referred to by Cleveland no longer exists. It was no Communist band from either Russia or China that set us adrift in economic and political principles. It was government—those of the United States since the days of McKinley and Mark Hanna. That was the time when an utterly false slogan was sung and broadcast on bannerets, which had for its theme, "Get rich quick." Since then we have been trying to get rich quick by saddling ourselves with debt, which calls for interest that causes trade depressions. The sooner we make up our minds to consider the necessity of periods of austerity and frugality, the safer the future will be for our children.

The Leisured Class

THE PRESIDENTIAL RECOMMENDATIONS to Congress to enact measures which, for their practical performance, will require gigantic outlays of money seem to have no terrors for those who imagine that the depression will be checked and trade stimulated. It should be recognized that scarcely one palliative has been suggested which, in performance, will show a real gain in the production of wealth. Perhaps it is too early to form a judgment in this case, but from what is learned so far of Congressional action in these matters, nothing is being done to raise the purchasing power of the dollar. Indeed, he would be a sanguine person who pictured the growth of new industries in the depressed areas within the near future.

In the old days the consumer was looked upon by industrialists as the factor in promoting production. It would be strange if now business men really imagined that all you had to do was to build a factory, equip it with machines, engage a labor force, produce an article without knowledge of the probability of the consumer making a demand for the produce that would show a goodly return for the expenditure the enterprise would cost. In the past our industrialists made as certain as inquiry and research could determine what the state of the market was for the article they intended to produce.

Are we not now, with the best intentions in the world, doing everything in our power to establish a new leisured class in our country? The reports that come from time to time from trade journals (but seldom reach the popular newspapers) inform us that the idea of pay for no work causes no disturbance to the pride of those who benefit from it. I remember the day in this country when gratuities (save those given in hotels and railway trains) were looked upon askance. The humorists of sixty years ago, like Mark Twain, Josh Billings, and Bill Nye, sometimes gave us stories about the pride of the American to earn enough for his keep.

The additional money to be spent upon what is called the educational system may stimulate trade in building schools and equipping them and increasing the salaries of teachers. But not a dollar of it will help a pupil to use a thimble-full of wealth. It is all dole, unproductive and not quite honest. The reply to the presidential statement upon the school system was being made in many parts of the country while he was speaking. The growth of crime in the great cities of the country rises higher and higher year after year. The Federal Bureau of Investigation tells us that in the country generally last year it increased by 4.5 per cent. But it is not only the shocking reports of crime and upon sexual licence that should make us pause. It is in the results of the classroom work that tell the tale of the shortcomings of our high school graduates.

Many years ago, the famous master of a great high school described it as a crèche for at least eighty per cent of the pupils. He said that some had been impressed with the fact that its chief purpose was not to school the young but to give them shelters to keep them off the streets. It is best to be candid about this before we find the purchasing power of the stable dollar slipping lower and deepening the depression.

A nationwide survey has been made recently by one of our papers, which indicates that consumers across the country are worried about the economic future. The optimists seem to be under the impression that the flow of money from the Treasury into the pockets of those to be befriended will stimulate the desire for goods and bring about better trade. Such was the opinion of many during the early Thirties when government associations were formed to take care of the aged, sick and unemployed. But practice did not work out according to theory, and the more money that was spent, the greater the increase of bureaucrats until a broad basis was laid for saddling the taxpayer with a heavier and heavier debt. How are these people to meet the standards set by the President?

Are we quite sure that we know the history of the problems being discussed today in Congress and in the press? It seems to me that the confusion of new meanings and illogical conjectures that have been imported in the last thirty years into the controversies is getting worse. Take, for instance, the term "democrat." No intelligent voter of two generations ago would recognize the man who calls himself one today. A democrat in the days before the First World War was a man of independent spirit and capable of managing his own affairs. He never thought of charity, and at that time there was no particular difficulty in caring for the aged infirm in the house of son or daughter.

Today the term "democracy" is liable to be changed to that of the Welfare State, which means government has taken on, *in extenso*, the work of the old dispensary, and has lost faith in the capacity of men to master the problems which in the past were more difficult between labor and capital than any that arise today.

One of the most disturbing changes that has taken place is in the monstrous increase in the number of bureaucrats who neither sow nor spin.¹¹ On the government side, enormous sums, increasing year by year, go to non-producers.

Some of the commentators who have been expressing their opinion since measures to relieve the depression have engaged the attention of Congress are somewhat puzzled by the use of the term "economy" as, for instance, we find it in the "economy of the nation." Surely this is putting it to a use that it never bore when men were more particular about the meaning of economic terms in daily speech. Economy is far to seek today; indeed, would it not be more to the point if we spoke about the financial condition of the country, or whether the country is solvent or not?

In this connection, we find that the armed services and the production of their weapons are in a category of their own and are not discussed as the basis on which our industrial activities are founded. I have asked

¹¹ "According to Sen. Harry Byrd's Congressional Joint Committee on Reduction of Nonessential Federal Expenditures, the Federal Government had 2,356,720 civilian employees at the end of 1960. In addition, it employed abroad about 170,000 in foreign nations. . . . Uncle Sam annually pays his civilian employees \$12 billion." ("Bigness in Government," by Benjamin L. Masse, *America*, March 4, 1961, p. 726.)

"Total spending by all governmental units in the United States has more than doubled in the decade since 1950. . . ."

"In the 1960 fiscal year, according to the estimates based on Department of Commerce figures, Federal, state and local governments spent \$153,000,000,000. In fiscal 1950 the figure was \$70,334,000,000. Early in this century the amount was less than \$2,000,000,000." ("Government Cost Double '50 Figure," *The New York Times*, Feb. 27, 1961, p. 28.)

my soldier friends in England and here if it is possible now for a leading nation to carry on business unless it has an enemy real or imaginary. Most of them agree that, to keep men employed in munitions works, steel mills, shipyards and other basic trades, it is undoubtedly necessary to make every preparation of defense of prime importance.

Only recently the Secretary of Defense "emphasized the need for forces that could strike a 'decisive counter-blow' after having weathered a nuclear attack." I suppose this amazing statement will go unchallenged, but there are taxpayers in this country who will wonder what it all means. On the one hand, the nuclear scientists have told us of the effect of one bomb. For a Secretary to imagine that there could be a striking force after the destruction is to go beyond the confines of what is possible. Where would the striking force be? If the nuclear scientists are right about the wholesale devastation of such a place as New York, where will the striking force find the body to attack? And from what far location will the striking force travel to reach the scene of total destruction? These are only some of the many points that will have to be considered.

*Port Washington, L. I.
New York*

The World Seeks Peace

WE CANNOT ACCEPT the single slogan of general and complete disarmament in four years without further assurances that the world will not then be in a welter of subversive agitation, suspicion, and anarchy. It may not be generally understood, but it is true that total disarmament and peace are not synonymous. History shows that some wars can arguably be traced to a preceding arms race, and it shows that others can be as clearly related to disarmament and bad faith rather than armament.

What we and all those of good will must understand is that what the world seeks is a peaceful society in which agreed and reliable procedures are set up for the just settlement of disputes with the concomitant of general and complete disarmament, which such a condition permits.

All must agree, in the face of the very real danger of a nuclear disaster, that efforts to reduce tensions should be assiduously sought by both sides, whether it be disarmament, arms control, procedures for the settlement of political issues, or the advancement of the means of settling international disputes.

JOHN J. MCCLOY