

wealth and the full employment of our manpower, for purposes of peace no less than for purposes of war.

The dominant objectives before American industry today are the maintenance of a volume of production which the war has shown can be achieved, and the development of new avenues of activity for capital and labor alike. We must, in other words, find the way to create an expanding economy. We must protect the individual from oppression by the state or by vast aggregations of wealth. We must give to the businessman an incentive for production and the promise of profit for work well done.

In this task there are many things that government can do to stimulate free enterprise by positive action while safeguarding our heritage of natural resources. The conservation of our forests, our farm lands and our finite mineral reserves is properly within the sphere of government. At the same time there are many ways in which government can and should make possible the development of new industries by business. For example, in the development of power projects such as the TVA, a foundation is created on which free private enterprise can build. These are tasks which are public responsibilities. By serving the general welfare in this manner, government is not denying free private enterprise. Rather it is providing a stronger and surer support for economic progress and an expanding economy. [*Article in THE SATURDAY EVENING POST, Oct. 23, 1943.*]

## XIII: 1944

### JACKSON DAY

WE AS INDIVIDUALS are here tonight because the people, suffering from the Hoover-Mellon-Wall Street collapse, demanded a New Deal. The people believed in Roosevelt, the Democratic party and the New Deal in 1932 because they felt that the New Deal stood for human rights first and prosperity rights second. The people confirmed their faith in Roosevelt and the New Deal in 1936 and 1940.

The New Deal is not dead. If it were dead the Democratic party would be dead, and well dead. But the Democratic party is not dead and the New Deal has yet to attain its full strength. The New Deal is as old

as the wants of man. The New Deal is Amos proclaiming the needs of the poor in the land of Israel. The New Deal is New England citizens dumping tea in Boston Harbor. The New Deal is Andrew Jackson marching in the twentieth century. The New Deal is Abraham Lincoln preaching freedom for the oppressed. The New Deal is the New Freedom of Woodrow Wilson fighting the cartels as they try to establish national and international fascism. The New Deal is Franklin D. Roosevelt.

In the peace to come, the freedom of Jackson, Lincoln, Wilson and Roosevelt means the economic right of the people to the great abundance of the America of tomorrow. The freedom of Jackson, Lincoln, Wilson and Roosevelt in the peace to come also means that personal liberty must move hand in hand with that abundance. This freedom stands for justice and fair play for all the classes and all the regions in terms of the welfare of the plain folks.

The doorway to this freedom is blocked by the deliberate misrepresentation of the paid hirelings of the special interests. Because of these hirelings the worker on the farm and in the factory has often been condemned without a hearing as a saboteur of the war effort. These paid hirelings try to create dissension among the fighter on the farm, the fighter in the factory and the fighter at the front. They shall not succeed because all three fighting fronts have the same two objectives, quick victory in war, justice and jobs in peace. Justice and jobs for our workers and servicemen will give prosperity to our farmers and adequate profits for business.

The Democratic party will always be first in the hearts of the people if it applies to the ever-changing problems of war and peace the resolute courage and patient humanity of the founding fathers of the New Deal, Jackson and Lincoln.

One man more than any other in all history has given dynamic power and economic expression to the ageless New Deal. That man is Roosevelt. Roosevelt has never denied the principles of the New Deal and he never will. They are a part of his very being. Roosevelt, God willing, will in the future give the New Deal a firmer foundation than it has ever had before. So on with the New Deal, on with winning the war, and forward march for peace, justice and jobs. [January 22, 1944.]

## LINCOLN

Until the end of time men will come here to Springfield to pay tribute to the memory of Abraham Lincoln. He who speaks here should speak from his heart, and briefly.

Every schoolboy, every American and all lovers of freedom everywhere know the Lincoln story. He was born poor, he united a nation torn asunder and he freed men. Lincoln was a man of faith who looked beyond private sorrow and public woe. His name and his deeds will live forever.

Within a few months after Abraham Lincoln became President we were engaged in a terrible war which was not won until a few days before his tragic death. It was not an easy war to win. The opposing armies in the field were strong. Those who gave lip service to the United States but who found fault with everything he said and did were powerful. Influential newspapers continually and severely criticized him. At one time, only a few months before he was renominated for President, he had only one supporter in Congress. This great man who spoke truly when he said, "I have never willingly planted a thorn in any man's bosom," was misrepresented and maligned by swarms of little men. Lincoln, nevertheless, bent his great energies to winning the war and planning for the peace. He was struck down while the people of the United States, North and South, were celebrating the return of peace.

We meet tonight in the midst of another great war. Ten million American fighting men are engaged in work as important as any which has ever been done on this earth. As soon as this war has been won, the soldiers and the workers in war plants will be ready to make peacetime goods. There must be jobs for all willing workers. We have come out of the dark cellars of unemployment and doles, and we must never go back. The people have a right to ask, "Why can we not work and get enough to eat and wear in peace as we have in war?" The answer is, "We can and we must!" With full employment the people of the United States can have the things they have always wanted—homes, schools, household furnishings and time to spend with their children.

Those who are blinded by fear say that we must go back to the old days—the days of hunger and despair. We must not heed them. They are not of the stature to which Lincoln grew.

The future calls for faith and work—faith and intelligent planning. Peace, goodwill, jobs, health and family security are possible and obtain-

able, and should become the tools of man's march toward the fuller and richer life. If Lincoln were here today he would concern himself with striving for a better tomorrow.

Shortsighted, fearful people in Lincoln's day said that we could never recover from the wreckage of the Civil War. Lincoln himself looked ahead with hope and confidence. He planned for new frontiers—for the West that was to be. The American enterprise and the American government of 1864 knew that the men who returned to civilian life needed work to do. The jobs that were provided by the building of the West saved us from chaos after the Civil War.

This experience of our grandfathers is a lamp for our feet.

Who does not wish to see swamps drained, harbors deepened, dams built, soil saved, inventions encouraged and new and better goods for use and comfort provided for men everywhere? The man who cannot see, the man who fears and waits, is not of the material of which Lincoln was made. Rather he is like the Copperheads whom Lincoln fought—those who wanted peace at the price of a divided nation. Those who seek a people's peace have the right to see through the eyes of Lincoln, and our duty is continually to work with vigilance always against the national and international carpetbaggers who would starve and enslave the world.

Lincoln said, "Trust the common people." He believed in their common sense and in their ultimate unselfishness. Today, while democracy is menaced abroad and while American Fascists are endeavoring to enslave us here, the words and deeds and inspiration of Lincoln give strength to those who battle in the cause of the people.

So long as there is human need in the United States it is criminal for men to be idle. It is bad business and bad morals to allow believers in scarcity to hold down production while people need goods and men are out of work. The people of America are our most valuable possession. The poorest people of America are our most valuable, untapped market. Men are more important than dollars. Abraham Lincoln believed this. Shortly before he became President he said that he was both for the man and for the dollar, but in case of conflict he was for the man before the dollar. He believed and died believing that the rights of man were more precious than the rights of private property.

Those who fight for us in this war belong to many parties, many creeds and many races. This is a people's war. The peace must be a people's peace. Lincoln would have it so. We shall fight unceasingly against anyone who puts the dollar above the man. We shall win the people's peace.

[*Springfield, Illinois, February 12, 1944.*]



## TVA

Of all the books which I have read during the past twelve months, David Lilienthal's on the TVA is to me the most exciting.\* It is exciting because it describes the new democracy in terms as real as a juicy steak. Curiously enough, there is nothing in this book to offend nine out of ten businessmen. Lilienthal makes the TVA live as an example of how a government-inspired project vastly increases the amount of free enterprise and prolongs it far into the future. The TVA not only enlarges the opportunity for free enterprise, but it is a model for decentralization, for true economic democracy, with the people participating in the decisions which affect their daily bread.

For the past ten years I have felt the greatest criticism of the New Deal was failure to take into account sufficiently and utilize fully new inventions, new technology and new science. This criticism cannot be made of TVA. I quote from the book:

There is almost nothing, however fantastic, that, given competent organization, a team of engineers, scientists and administrators cannot do today. . . . Today it is builders and technicians that we turn to: men armed not with the ax, rifle and bowie knife, but with the Diesel engine, the bulldozer, the giant electric shovel, the retort—and most of all, with the emerging kind of skill, a modern knack of organization and execution. . . . And it is just such fruits of technology and resources that people all over the world will, more and more, demand for themselves. That people believe that these things can be theirs—this it is that constitutes the real revolution of our time; the dominant political fact of the generation that lies ahead.

Never has Roosevelt appeared to greater advantage as a statesman laying down the blueprints for our domestic future than in his joining of hands with George W. Norris in fathering one of the two or three most significant contributions of the New Deal. Roosevelt always loved water, and especially rivers. He saw in them power, flood control, navigation and the conservation of soil and trees. Seeing these things, he insisted that the TVA legislation be broad enough so that, with the Tennessee River serving as a focus, the people in the valley could be helped to help themselves in terms of the great American tradition. Take a look at the valley in 1933 and then look at it again in 1944 and you will know that the New Deal

\* *TVA—Democracy on the March* by David Lilienthal. 1944. Harper & Bros., N.Y.

is a very living thing. You can see it in the copper wires which have brought electricity to many thousands of farmers who never had it before. You can see it in the terraced hillsides where the crop yields have been increased faster than elsewhere in the country. You can see it in the great dams and beautiful lakes. There are boats on the lakes, fish in the lakes and recreation on the shores. Moreover, the lakes represent power and flood protection. They represent commerce.

Most of all the TVA means people planning together in their own community for their own welfare. This planning is not something abstract and remote. It has to do with things which lie close at hand,—soil fertility, fertilizers, erosion control, tree planting, deep-freeze machines, factory development, barge transportation, etc. Under the TVA system people can not only talk about these things, but they can do something about them. There has always been something unreal about political democracy without economic democracy. The TVA points the way toward combining the two.

I never suggested a TVA on the Danube. That was done for me by the President of the National Association of Manufacturers, who did not hesitate to make other misrepresentations as well. It is not the business of the United States to build TVA's elsewhere in the world. Just the same, I hope other nations will want to build TVA's of their own. There ought to be a TVA on the Danube, another on the Ganges, another on the Ob, and another on the Paraná. We can give technical advice as to the way to do the job and can even furnish on a lost-cost amortization basis the modern types of machinery necessary for building dams. It will be perfectly safe for the United States to do this because the Tennessee Valley experience proves that the investment can be self-liquidating. An American friend of mine who gave a talk on the TVA in England received recently a letter from an Austrian engineer who had been in his audience, as follows:

Many possibilities suggest themselves for application of the TVA idea to European problems. The most direct I could think of is its application to the Danube, or, if you dare to stretch it so far, to the Rhine-Main-Danube system of hydro-electric power generation, navigation, water control, etc. The Danube and its tributaries run through half a dozen states in Europe's trouble center. Though there has long been an international Danube commission in existence, nothing like a TVA exists. A TVA on the Danube would be a powerful peace element which would yield a great economic and political influence and which would go a long way to help the countries of Central and Southeastern Europe in reconstruction and in linking up their eco-

conomic interests on a not too controversial basis. There might be a chance to create such an authority in the framework of a future peace settlement, be it under a new League of Nations or another power, if . . .

Valleys are much the same everywhere and the people who live in the valleys are all interested in flood control, soil erosion, reforestation, power development, navigation, fishing and recreation. Dave Lilienthal dreams of the day when the new democracy will march into a thousand valleys and the free enterprise of the new democracy will permeate into millions of farm homes and into the small businesses prospering on the basis of cheap electric power and productive farm lands.

In conclusion, I want to say that one of the most amusing things about the TVA is the way in which the lower electric rates forced by the TVA on the private utility companies increased the prosperity of these same companies. The TVA points the way toward the Kingdom of Abundance, even for those who entered the Kingdom unwillingly. [*Review in THE NEW REPUBLIC, March, 1944.*]

## THE DANGER OF AMERICAN FASCISM

On returning from my trip to the West in February, I received a request from *The New York Times* to write a piece answering the following questions:

- “1. What is a fascist?”
- “2. How many fascists have we?”
- “3. How dangerous are they?”

A fascist is one whose lust for money or power is combined with such an intensity of intolerance toward those of other races, parties, classes, religions, cultures, regions or nations as to make him ruthless in his use of deceit or violence to attain his ends. The supreme god of a fascist, to which his ends are directed, may be money or power; may be a race or a class; may be a military clique or an economic group; or may be a culture, religion, or a political party.

The perfect type of fascist throughout recent centuries has been the Prussian Junker, who developed such hatred for other races and such allegiance to a military clique as to make him willing at all times to engage in any degree of deceit and violence necessary to place his culture

and race astride the world. In every big nation of the world are at least a few people who have the fascist temperament. Every Jew-baiter, every Catholic hater, is a fascist at heart. The hoodlums who have been desecrating churches, cathedrals and synagogues in some of our larger cities are ripe material for fascist leadership.

The obvious types of American fascists are dealt with on the air and in the press. These demagogues and stooges are fronts for others. Dangerous as these people may be, they are not so significant as thousands of other people who have never been mentioned. The really dangerous American fascists are not those who are hooked up directly or indirectly with the Axis. The FBI has its finger on those. The dangerous American fascist is the man who wants to do in the United States in an American way what Hitler did in Germany in a Prussian way. The American fascist would prefer not to use violence. His method is to poison the channels of public information. With a fascist the problem is never how best to present the truth to the public but how best to use the news to deceive the public into giving the fascist and his group more money or more power.

If we define an American fascist as one who in case of conflict puts money and power ahead of human beings, then there are undoubtedly several million fascists in the United States. There are probably several hundred thousand if we narrow the definition to include only those who in their search for money and power are ruthless and deceitful. Most American fascists are enthusiastically supporting the war effort. They are doing this even in those cases where they hope to have profitable connections with German chemical firms after the war ends. They are patriotic in time of war because it is to their interest to be so, but in time of peace they follow power and the dollar wherever they may lead.

American fascism will not be really dangerous until there is a purposeful coalition among the cartelists, the deliberate poisoners of public information, and those who stand for the K.K.K. type of demagoguery.

The European brand of fascism will probably present its most serious postwar threat to us via Latin America. The effect of the war has been to raise the cost of living in most Latin American countries much faster than the wages of labor. The fascists in most Latin American countries tell the people that the reason their wages will not buy as much in the way of goods is because of Yankee imperialism. The fascists in Latin America learn to speak and act like natives. Our chemical and other manufacturing concerns are all too often ready to let the Germans have Latin American markets, provided the American companies can work out an arrangement which will enable them to charge high prices to the consumer inside the United States. Following this war, technology will have reached such a

point that it will be possible for Germans, using South America as a base, to cause us much more difficulty in World War III than they did in World War II. The military and landowning cliques in many South American countries will find it attractive financially to work with German fascist concerns as well as expedient from the standpoint of temporary power politics.

Fascism is a worldwide disease. Its greatest threat to the United States will come after the war, either via Latin America or within the United States itself.

Still another danger is represented by those who, paying lip service to democracy and the common welfare, in their insatiable greed for money and the power which money gives, do not hesitate surreptitiously to evade the laws designed to safeguard the public from monopolistic extortion. American fascists of this stamp were clandestinely aligned with their German counterparts before the war, and are even now preparing to resume where they left off, after "the present unpleasantness" ceases.

The symptoms of fascist thinking are colored by environment and adapted to immediate circumstances. But always and everywhere they can be identified by their appeal to prejudice and by the desire to play upon the fears and vanities of different groups in order to gain power. It is no coincidence that the growth of modern tyrants has in every case been heralded by the growth of prejudice. It may be shocking to some people in this country to realize that, without meaning to do so, they hold views in common with Hitler when they preach discrimination against other religious, racial or economic groups. Likewise, many people whose patriotism is their proudest boast play Hitler's game by retailing distrust of our Allies and by giving currency to snide suspicions without foundation in fact.

The American fascists are most easily recognized by their deliberate perversion of truth and fact. Their newspapers and propaganda carefully cultivate every fissure of disunity, every crack in the common front against fascism. They use every opportunity to impugn democracy. They use isolationism as a slogan to conceal their own selfish imperialism. They cultivate hate and distrust of both Britain and Russia. They claim to be super-patriots, but they would destroy every liberty guaranteed by the Constitution. They demand free enterprise, but are the spokesmen for monopoly and vested interest. Their final objective toward which all their deceit is directed is to capture political power so that, using the power of the state and the power of the market simultaneously, they may keep the common man in eternal subjection.

Several leaders of industry in this country who have gained a new vision

of the meaning of opportunity through co-operation with government have warned the public openly that there are some selfish groups in industry who are willing to jeopardize the structure of American liberty to gain some temporary advantage. We all know the part that the cartels played in bringing Hitler to power, and the role the giant German trusts have played in Nazi conquests. Monopolists who fear competition and who distrust democracy because it stands for equal opportunity would like to secure their position against small and energetic enterprise. In an effort to eliminate the possibility of any rival growing up, some monopolists would sacrifice democracy itself.

It has been claimed at times that our modern age of technology facilitates dictatorship. What we must understand is that the industries, processes, and inventions created by modern science can be used either to subjugate or liberate. The choice is up to us. The myth of fascist efficiency has deluded many people. It was Mussolini's vaunted claim that he "made the trains run on time." In the end, however, he brought to the Italian people impoverishment and defeat. It was Hitler's claim that he eliminated all unemployment in Germany. Neither is there unemployment in a prison camp.

Democracy to crush fascism internally must demonstrate its capacity to "make the trains run on time." It must develop the ability to keep people fully employed and at the same time balance the budget. It must put human beings first and dollars second. It must appeal to reason and decency and not to violence and deceit. We must not tolerate oppressive government or industrial oligarchy in the form of monopolies and cartels. As long as scientific research and inventive ingenuity outran our ability to devise social mechanisms to raise the living standards of the people, we may expect the liberal potential of the United States to increase. If this liberal potential is properly channeled, we may expect the area of freedom of the United States to increase. The problem is to spend up our rate of social invention in the service of the welfare of all the people.

The worldwide, age-long struggle between fascism and democracy will not stop when the fighting ends in Germany and Japan. Democracy can win the peace only if it does two things:

1. Speeds up the rate of political and economic inventions so that both production and, especially, distribution can match in their power and practical effect on the daily life of the common man the immense and growing volume of scientific research, mechanical invention and management technique.

2. Vivifies with the greatest intensity the spiritual processes which are both the foundation and the very essence of democracy.

The moral and spiritual aspects of both personal and international relationships have a practical bearing which so-called practical men deny. This dullness of vision regarding the importance of the general welfare to the individual is the measure of the failure of our schools and churches to teach the spiritual significance of genuine democracy. Until democracy in effective enthusiastic action fills the vacuum created by the power of modern inventions, we may expect the fascists to increase in power after the war both in the United States and in the world.

Fascism in the postwar inevitably will push steadily for Anglo-Saxon imperialism and eventually for war with Russia. Already American fascists are talking and writing about this conflict and using it as an excuse for their internal hatreds and intolerances toward certain races, creeds and classes.

It should also be evident that exhibitions of the native brand of fascism are not confined to any single section, class or religion. Happily, it can be said that as yet fascism has not captured a predominant place in the outlook of any American section, class or religion. It may be encountered in Wall Street, Main Street or Tobacco Road. Some even suspect that they can detect incipient traces of it along the Potomac. It is an infectious disease, and we must all be on our guard against intolerance, bigotry and the pretension of invidious distinction. But if we put our trust in the common sense of common men and "with malice toward none and charity for all" go forward on the great adventure of making political, economic and social democracy a practical reality, we shall not fail. [*Article in THE NEW YORK TIMES, April 9, 1944.*]

## BROADCAST TO THE LITTLE BUSINESSMEN OF THE NATION

When we think of America we think of a fortunate country where a little man can get ahead through his own efforts. That is what Thomas Jefferson was talking about when he used the words "Life, Liberty, and the Pursuit of Happiness." Jefferson laid great emphasis upon agriculture and feared the day when people would leave farms and crowd together in great cities. We know now that special precautions must be taken if the growth of cities is not to produce the dire results Jefferson feared. The little man whose strength is the vitality of the nation must be preserved.

When this war has been won we want every man in America who has ambition and a willingness to work hard to have the opportunity to prove in a market free from unfair restraints that he has something to add to the productivity and happiness of this nation.

Everyone has been able to contribute something during this war. On the Pacific Coast last month I visited several airplane plants where nearly half of the workers were women, and where many of the men workers would not have been allowed to work three years ago because of physical handicaps. Nevertheless these women and the so-called rejects are turning out bombers in one-half the man hours that so-called superior labor used three years ago. Truly "the stone which the builders rejected has become the chief corner-stone." I am mentioning this great accomplishment because I am firmly convinced that small business depends for its prosperity very largely on full employment and an expanding economy. Unless business, labor and government plan together for full use of man power, resources, and skills, small businessmen will be ruined by the tens of thousands.

The people of the United States are united in their determination to win this war. American industry, American business, and American agriculture can look forward to a bright future if the markets of peace are expanded to take the place of the markets of war. We cannot have free enterprise unless the world is at peace.

We must maintain the peace. The Teheran Conference has laid the ground work. All peace loving nations will be given an opportunity to co-operate in rebuilding the shattered world and perfecting a permanent organization for peace.

I believe in free enterprise. Free enterprise means free and open opportunities for all capitalists, workers, industrialists and traders—to produce the goods and services which are the only true basis of national wealth and well-being. Free enterprise means that each and every industry is open to new capital and new firms—that all firms have free access to raw materials, to labor, to technologies—that producers have free access to the markets in which they sell—that all individuals, in accordance with their several abilities and irrespective of color, race, and creed, have equal opportunities to work at their chosen jobs.

Free enterprise is not privileged enterprise. Monopolists define free enterprise falsely as freedom from government interference for monopolies. Free enterprise really means freedom for everyone and not ruthless domination by a few. Free enterprise does not mean freedom for cartels to plot against the national interest. Free enterprise does not mean freedom for monopolies to exploit consumers while denying jobs to workers.



Farmers more than any other class of our people love to produce to the limit. Therefore, they are gravely concerned when big industrialists reduce the foreign market for farm products by asking the Congress to raise tariffs on industrial products while they reduce the domestic market for farm products by plowing workers out on the streets. The farmer wants, and has always wanted, an abundance of farm and industrial products. But it is suicide for him to stand for abundance all by himself. He tried that after the last war and especially in 1930, 1931 and 1932. At that time industry cut its production in half and reduced prices very little. The farmer did the reverse. He cut his prices in two but reduced his production very little. All the farmer got out of trying to run an abundance show all by himself was bankruptcy. But he still believes in abundance and he wants full markets, provided by a reasonable tariff policy and full employment at good wages. Full employment, full production, good wages and reasonable prices are the vital essentials of prosperity for the farmer, the worker and the small businessman.

The phenomenal success of American industry in producing for war has demonstrated convincingly that we can produce a national income of from 150 to 200 billion dollars in the early postwar years, and that that income can be progressively enlarged if we preserve a free and dynamic economy. Full use of our resources in all-out production for peace can create a level of well being for the common man such as has heretofore been available only to a privileged minority. The common man knows this. He will never again accept an economic organization which falls short of this goal.

In our great wartime production effort the strategy has been determined by the needs of the armed forces and only the execution of the tactics has been left to the separate business units. Nevertheless, I am confident that equally amazing goals can be achieved in peacetime by free, private enterprise, if our business and labor leaders have sufficient faith in free enterprise to give their unqualified support to the full use of all our resources, to the measures necessary to enable free enterprise to serve the public interest.

Business can discharge its public responsibilities and preserve itself only by maintaining conditions of *genuine* free enterprise. The price of survival and progress is the whole-hearted acceptance of healthy competition—competition in price as well as in quality and service. Let us understand fully the implications of free enterprise, the duties which it imposes and the opportunities which it opens:

It is a fundamental of free enterprise that no individual or group shall control the market, with power to exclude new investment, new enter-

prises, new methods, or workers. So far as small businesses are concerned, the mere absence of local capital markets is a restraint on their ability to grow and expand. The present high concentration of investment banking in New York City is in itself incompatible with free enterprise, for only the large national corporations have access on reasonable terms to that capital market.

Restrictive agreements limiting capacity, curtailing output, fixing prices, assigning markets—all of these manifestations of the cartel at home or abroad must be forever abolished.

The basic technologies of modern industry must be restored to, and remain a part of the public domain. This is not an attack on the patent system; it is a necessary measure to make the patent system conform to its constitutional purpose—to promote the progress of science and the useful arts. It must become impossible to use patents to monopolize entire industries. The solution is simple—all patents should be subject to open licensing at a reasonable fee—one which affords a reasonable return to the inventor and promotes the wider and wider use of the patent. And no license should be permitted to stipulate how much the licensee shall produce, what he shall charge, or where he shall sell.

The government's tax policies have an important influence on business activity. In a peace-time economy, the tax program should have a double objective—to bring in the necessary revenue and to encourage the production of the largest possible national income. Taxes which impair the ability of consumers to purchase the products of agriculture and industry, or which discourage the investment of venture capital in new undertakings, must be avoided in our drive for all-out production. The tax program can and should be framed with attention to the larger objectives of the economy—full use of all our resources.

A public works program of all units of government should be planned far in advance, carried to the point of preparing blueprints and contracts, and then all postponable projects should be held in abeyance until the construction activity is needed to balance a prospective decline in business activity. Likewise, the government should seize the opportunity afforded by periods of business prosperity to accelerate its program of debt retirement, and thereby improve its credit position and help control the credit inflation which might otherwise lead to an early recession. Government fiscal policies can go far to reduce, and to compensate for, fluctuations in business activity.

Above all it is necessary for our leaders in industry, agriculture, and trade to understand the responsibilities of both business and government in assuring continuing full employment of all resources. Business poli-

cies must be framed with this long-run objective in view. Forward looking businessmen will welcome the co-operation of government in maintaining full employment, without sabotaging the national economy by treating such government activities as attacks upon free enterprise.

In recent speeches I have dealt with the necessity for developing balanced regional economics in the South and the West, as part of a full-production national economy. The per capita income in the South and West must be raised to the point where adequate markets will exist for the output of farm and factory. All obstacles to such regional developments should be removed.

In the building of our postwar national economy, particular attention must be given to the opportunities for small business enterprises. Small business provides an outlet for new ideas and products, a training ground for new leaders, and an effective competitive check on big business, which might otherwise confuse mere size with efficiency. The greatest contribution which government can make to the progress of small business is the creation and preservation of genuine free enterprise. Given access to the necessary technologies and to the capital markets, small enterprise in industry and trade will flourish. And such small business, by reason of its inherent resilience and flexibility, can become the mainstay of our regional economics, the balance wheel of the national economy.

Competition must remain the indispensable foundation of free enterprise. When competition exists, enterprise is free and the necessity for governmental regulation of industry is at a minimum. Where competition is suppressed or restricted, technological progress is blocked, efficiency diminishes, markets contract and the national income shrinks. The government must either aid in preserving healthy competitive conditions, or assume increasing responsibility for the management of industry.

We have an unparalleled opportunity to return to a free enterprise economy. The necessities of war have exposed domestic restraints and broken foreign cartel restraints. Improvements in technology have created new inter-industry competition which threatens the power of entrenched monopolies. New light metals and alloys will compel the aluminum and copper industries, and even the steel industry, to develop cheaper methods of production and seek new markets for their products. Some technical advances will enable small plants to operate economically in industries heretofore dominated by one or two firms.

The greatest opportunity lies in the war plants built with government funds. In the manner of their postwar use lies the acid test of whether we are sincere in our determination to reestablish genuine free enterprise. We must not regard such plants as liabilities to be disposed of hastily; we

must not allow the disposition of these plants to add to the concentration of control in industries which are already monopolistic. The plants must be kept in full production to create the enlarged national income required to support a new American standard of living. As a final sale of these war plants would probably result in their being acquired sooner or later by a few large concerns, I have suggested that title should remain in a federal agency, and that these plants should be leased to independent producers who will create new competition and new production.

Whether or not we have free enterprise and the full use of all productive resources depends on our understanding that our way of life is at stake, and on the determination of all of us to test every private and public policy by whether it contributes to the full use of all our resources or whether it tends toward the destruction of full production.

We shall win the military victory. We must have a peaceful world thereafter. We must preserve America as a land of economic opportunity for all of our people. This must be the Century of the Common Man.

[*March 17, 1944*]

## INVISIBLE GOVERNMENTS

The dictionary definition of cartels is "combinations of separate firms to maintain prices above competitive figures." Technically, that is correct, but it's a very charitable description. I prefer to define them as "private and secret super-governments controlling major branches of world industry, and not accountable to the people." They are small groups, as a rule, but so extremely powerful that they have obtained a stranglehold upon many phases of American industry, and in large measure have gained control of our economic relations with other countries.

In the prewar world, cartels influenced our foreign policy and blocked the fulfillment of the Good Neighbor idea in Latin America. They were able to deny our allies critical war materials, and largely as a result of restrictions imposed by cartels the United States entered the war with acute shortages of vital military supplies. Because cartels controlled strategic industries, raw materials, patents and sources of research, the strength of the democratic nations was sapped almost to the point of bankruptcy. If we permit these groups to operate after the war the consequences may be disastrous; it will be impossible to establish and maintain full production and full employment, and there will be little freedom of opportunity. Cartels must be broken up if we are to rebuild a shattered world economy

and realize the closer understanding desired by both the peoples and the governments of the United Nations. And to fight them effectively we must begin with these steps:

1. All international agreements involving American companies or their subsidiaries, and affecting our national economic policy, must be filed with the government. This should not confer immunity from prosecution under the anticartel laws.

2. Domestic monopoly must be eliminated. If healthy competition exists, cartels cannot be formed.

3. The amendment to the Reciprocal Trade Agreements Act, which permits action against cartels, must become a vital part of our national economic policy.

4. Small and medium-sized businessmen must have access to technological advances, in order to maintain vigorous competition. Today, these businessmen are unable to engage in research, because they haven't the money to build and equip adequate laboratories. The government should provide research open to all, large and small alike. This policy would break the grip of cartels on technology and would provide facilities for experimentation and development in the fields of public health and military security, which for various reasons are not within the province of the private laboratory. In my opinion, private research will continue more effectively if thus supplemented.

The most frequent complaint of business against government is that enterprise and initiative are stifled, and competition made impossible, by overregulation. The regulatory system reaches its climax in totalitarian countries, where all new undertakings must have government sanction, and all enterprises are told by government what they shall produce, in what quantity, at what price and to whom their products may be sold. Close examination of a cartel setup shows that there is slight difference between the operations of a cartel and those of a totalitarian government. In areas dominated by a cartel, the markets are closed to new entrants, and the private groups which comprise the cartel decide upon quantity, quality and price of product. Cartels are the first and most important step toward totalitarianism.

How these operations are carried on can be illustrated by a simple example. Suppose that, on the four corners of a city street, there are four peddlers. Two sell shoelaces. Two sell gumdrops. They are in vigorous competition, with shoelaces and gumdrops selling for a nickel. Finally they get together and agree not to compete. Thereafter one peddler sells only black shoelaces; another sells brown. One sells only pink gumdrops, another sells green. Prices are now regulated so that gumdrops and shoe-

laces sell for fifteen cents, and the members of the monopoly group gang up on any other peddler who tries to sell on their four corners. Carry this example over to big business, where the market place is the four corners of the world instead of the four corners of a city street. Substitute magnesium and plastics for shoelaces and gumdrops. Blown up to world-wide proportions, the little peddlers' monopoly scheme becomes a full-fledged cartel. This may appear to be oversimplification, but the principle is there.

For the monopoly problem is no longer a local issue. Nor is it purely national. Today, it is worldwide, and weighted with grave economic and political implications. It is imperative that the American people grasp the meaning of international cartels. Our position and role in the world economy, our military security and our internal development will be governed largely by the measures which we adopt to eliminate these groups. Already they have become private economic super-governments ruling arbitrarily over large segments of industry, and in some cases have attained a stature and an influence which rival public authority.

Cartels look upon the whole world economy as their special melon, to be cut and divided as they see fit. A striking example of the consequences of this viewpoint may be found in our relations with South America. It is no secret that as a result of cartel agreements, under which American firms bound themselves not to compete, many countries in South America were economic colonies of German industry. In part, at least, the strength of the German economic grip upon South America has accounted for the anti-American policies of Argentina. Time and again the efforts of the United States to form closer bonds with our Latin American neighbors came to nothing because cartels had decreed that American interests should not compete in South American countries. Today this cartelist influence in Argentina is the chief peril to the peace of the hemisphere because of the speed with which it is increasing Argentine armaments and spreading fascist propaganda. Cartelists are the greatest menace to our southern flank.

When the war began in Europe in September, 1939, German agencies set up by cartels in South America were threatened with extinction by the British blockade. But the blockade was frustrated to a large extent by the cartels. If German producers could not send goods to South America, then the American members of the cartel would do so. And in many instances the agreement under which this was done provided that these products should bear German labels, be sold exclusively by German agents and be available only for the duration of the war. By this means the German control of the markets was preserved. And the spirit of these agreements is apparently still in effect. As late as October, 1943, the De-

partment of Justice charged that an American member of a large chemical cartel had agreed to retire from South America at the end of the war and restore domination of the territory to the Germans.

The significance of international cartels was clearly demonstrated in the years immediately preceding the outbreak of the war. The philosophy which created Munich had its counterpart, and to some extent its origin, in the cartel-minded groups in Germany and Great Britain which evolved the Dusseldorf Agreement, which was entered into at a conference held on March 15 and 16, 1939, some forty-eight hours after the German Army had invaded Czechoslovakia. The conferees represented the Reichsgruppe Industrie of Germany, official organization of Nazi industry, and the Federation of British Industries, self-identified as the largest association of manufacturers in the world. The purpose of the Agreement was to "replace destructive competition" with cartel management and control of markets, and to introduce co-operation "throughout the industrial structure of their respective countries."

Elimination of competition between British and German producers was described in the Agreement as the first step toward "an ordered system of world trade." The two groups agreed that if necessary they would obtain the help of their governments to deal with the industries of countries which refused to accept the cartel system. In the judgment of the London *Economist* this provision was aimed primarily, if not solely, at the United States. What is important here is not so much the astounding arrogance of this document, as the fact that private groups arbitrarily assumed the authority to order world trade and to use their governments as instruments to accomplish their purposes.

The spirit of Dusseldorf has been temporarily submerged by the war, but the minds which conceived the Agreement have not ceased to function. As peace is seen dimly in the distance, they are busily scheming to resume their activities. Within recent weeks a prominent British industrialist publicly stated that the world economy must be cartelized, and went so far as to demand that the United States repeal the Sherman Anti-Trust Act. If all such plans are not fought with the utmost vigor, the postwar rehabilitation of free private enterprise in this country, and of our foreign commerce as well, will become impossible. Cartels will pave the way toward another domestic depression. Moreover, their existence after the war will again make possible domination of world markets in many lines of industry by German and other foreign interests.

In democratic countries attempts to abolish cartel groups are hampered by the fact that they insist upon the privileges of private enterprise, and denounce any attack upon their power as an attack upon the capitalist

system. They pose as the staunchest supporters of capitalism, yet they are actually its greatest enemy. In an economic system conceived in competition and dedicated to freedom of enterprise, the only moral basis of profit is the assumption of risk. It is for this very reason that cartels and capitalism cannot exist in the same economy. But cartels have so successfully confused the issue that we constantly find it necessary to remind ourselves of the true meaning of capitalistic free enterprise. In essence, free enterprise is the theory and practice of full production, spurred by the promise of reward in return for risk. The little man who invests his time and money, and thereby gives something new and useful to the world, has under this system an opportunity for deserved reward. This is a fundamental truth well understood by the thousands of small investors, the prospectors for oil and metals, the small inventor, and the men who start business on a shoestring.

But since cartels aim at stability and security, they are the foremost opponents of risk. They are themselves unwilling to take chances; therefore, in order to preserve their status, they must prevent others from enjoying the fundamental privileges of capitalism. They must exercise absolute control in the fields of their own operations, and they must also constantly tighten their grip on all sectors of the economy in which competition might arise. They fear nothing more than a new idea—unless they can control it. If they cannot, they will try to see that it never reaches the production stage. In their own self-interest, cartels must become one of the greatest enemies of progress.

But what has the average man got to do with all this talk of cartel and monopoly activity? What do cartels mean to the farmer? They mean the widening gap between farm and industrial prices. The more powerful the cartels become, the less industrial goods the farmer will receive for his produce. What do they mean to labor? They mean wage cuts in the form of arbitrarily high prices and restricted opportunities for employment. They also mean concerted efforts to wipe out the gains that labor has made within the last ten years.

What do cartels mean to the businessman? They mean restricted opportunities for investment, limited profits because of the high prices of raw materials, and limited access to markets. If he happens to operate in an industry controlled by a cartel group, he is told how much he shall make, to whom he shall sell and at what price. His independent action in a free market is curtailed, if not eliminated.

What do cartels mean to the nation as a whole? They mean a limitation in national wealth and a disappearance of opportunity. They mean artificial restriction of production and employment, taxation without represen-