

## Beware - The Cartel

IN AUGUST, 1916, Woodrow Wilson approved the Act forming a Council of National Defense. That law, never repealed, forms the basis for the industrial mobilization which is the present purpose of Franklin D. Roosevelt.

Not until March, 1918—a year after the United States declared war—did that centralizing scheme begin to function effectively. In fact, it succeeded in its purpose only when it was at that date freed from all democratic controls and was clothed with dictatorial powers. That is, the Council, consisting of six Cabinet officers, was succeeded by a War Industries Board without definitive legislative powers but armed with the personal backing of the President. Planning and democracy do not mix. The one country in which socialism succeeded in putting its doctrine into practice, Russia, did so only because the leaders deliberately abandoned all democratic processes.

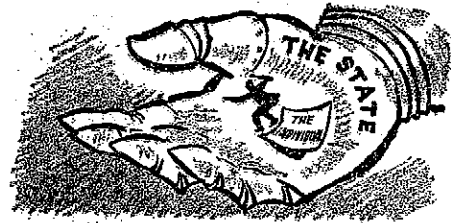
The War Industries Board started on a program for complete control of our national economy which was interrupted by the war's end. Its regulations embraced uniformity of clothing for all civilians, sizes of tires, styles of bathing caps, kinds of coffins. By a priorities system it could control production by channeling raw materials, fuel, transportation, etc. It fixed prices.

As a war instrument it worked fairly well. Its fixed prices were of course circumvented; values are as subject to regulation as the rays of the sun. Favoritism by the Board's agents in allocating contracts reached the proportion of a national scandal. "War profiteering" is still remembered. Cooperation of business on a patriotic basis enabled the Board to function in its appointed object of supplying the army and keeping some order in the daily life of the country. But, because private ownership of capital was not abolished and some freedom of enterprise was permitted, the Board was a haltering device. Had the war lasted another year complete control of our national economy would have been effected, said Bernard Baruch, the Board's chairman.

England under Chamberlain went through a similar split-character economy. *The Economist*, London's famous economic journal, railed against the inefficiency of self-control-in-industry which prevailed in the Ministry of Supply in that ill-starred government. This rather conservative commentator frequently and almost reluctantly alluded to the cartel system that arose. The head of each control was usually the head of the largest unit in that industry;

thus he was able to learn the secrets of his competitors, to determine who should and should not get contracts and under what conditions. Cartels—industrial cliques with government sanction—enriched themselves at the expense of the war machine.

*Time*, New York, May 27, tells how the steel cartel worked. The Steel Control Committee was identified with old-fashioned, high-cost mills. William John Firth, an anti-banker industrialist,



brought engineers from the United States to build a continuous strip mill. The British Government induced him for military and social reasons to establish his plant in an economically undesirable town. The extra cost of building ruined his budget, and he found it necessary to borrow some \$30,000,000 from the Bank of England. With the loan, control of the business went to the cartel. Sir William was ousted. At the time Herbert Morrison took over the Ministry of Supply the best steel mill in England was working at only two-thirds capacity while its rivals had a back-log of orders.

Now that the United States is again engaging in war—for preparation is as much a part of war as are the battles—let us not be squeamish about facing the facts. Let us admit frankly what our reason proves incontrovertibly: war and democracy cannot exist simultaneously. For one is the antithesis of the other.

Therefore, we should prevent a repetition of our own errors of 1917-18; we should heed England's more recent experiences. We should stop all pre-

tense of individual freedom. War is a condition—temporary, we hope—in which the individual relinquishes to the State every claim to existence: property, political rights, life. If that is the way to win the war, let's have no prolonging of the agony and the expense of it by half measures.

*Maybe we will have to fight the State afterward for the right to life, liberty and the pursuit of happiness. But, if we want war, we must insist that the State lay hold of private property with as much compunction as it destroys life. Any other procedure must result in some people gaining economic advantages while others are dying, and will justify the conclusion that war is waged for that purpose.*