

depression does not rest on economic grounds at all, for, on such grounds, there is no justification. Its appeal is rather to be found on other, especially political, grounds.

Among these grounds we may list the following: a rearmament program helps heavy industry directly and immediately. Heavy industry is the segment of the economy which suffers earliest and most drastically in a depression, which absorbs manpower most readily (thus reducing unemployment) and which is politically influential in most countries. Such a program is also easily justified to the public on grounds of national defense, especially if other countries are dealing with their economic crises by the same method of treatment.

The adoption of rearmament as a method of combating depression does not have to be conscious. The country which adopts it may honestly feel that it is adopting the policy for good reasons, that it is threatened by aggression, and that a program of rearmament is necessary for political protection. It is very rare for a country consciously to adopt a program of aggression, for, in most wars, both sides are convinced that their actions are defensive. It is almost equally rare for a country to adopt a policy of rearmament as a solution for depression. But, unconsciously, the danger from a neighbor and the advantages to be derived from rearming in the face of such a danger are always more convincing to a country whose economic system is functioning below capacity than it is to a country which is riding a boom. Moreover, if a country adopts rearmament because of fear of another country's arms, and these last are the result of efforts to fill a deflationary gap, it can also be said that the rearmament of the former has a basic economic cause.

As we have mentioned, Fascism is the adoption by the vested interests in a society of an authoritarian form of government in order to maintain their vested interests and prevent the reform of the society. In the twentieth century in Europe, the vested interests usually sought to prevent the reform of the economic system (a reform whose need was made evident by the long-drawn-out depression) by adopting an economic program whose chief element was the effort to fill the deflationary gap by rearmament.

Chapter 38—The Pluralist Economy and World Blocs

The economic disasters of two wars, a world depression, and the post-war fluctuations showed clearly by 1960 that a new economic organization of society was ... [being developed by the Money Power]. The laissez-faire competitive system ... [had been destroyed by the Money Power]. The system of monopoly capitalism had helped in this ... [destruction], and clearly showed that its efforts, in Fascist countries, [and other nations] to protect its profits and privileges by authoritarian government and ultimately by war were ... [successful] [although the Fascist countries such as Germany and Italy were not able to win the war they started]. Moreover, Communism, on the winning side of the war, nonetheless showed that it, like any authoritarian system, failed to produce innovations, flexibility, and freedom; it could make extensive industrial advances only by copying freer peoples, and could not raise its standards of living substantially because it could not combine lack of freedom and force in political life and in the utilization of

economic resources with the increased production of food and spiritual or intellectual freedom which were the chief desires of its own peoples.

Laissez Faire, Fascism and Communism Combined into a Common System

This almost simultaneous failure of ... economic Fascism, and of Communism to satisfy the growing popular demand both for rising standards of living and for spiritual liberty has forced the mid-twentieth century to seek some new economic organization. This demand has been intensified by the arrival on the scene of new peoples, new nations, and new tribes who by their demands for these same goods have shown their growing awareness of the problems, and their determination to do something about them. As this new group of underdeveloped peoples look about, they have been struck by the conflicting claims of the two great super-Powers, the United States and the Soviet Union. The former offered the goods the new peoples wanted (rising standards of living and freedom), while the latter seemed to offer methods of getting these goods (by state accumulation of capital, government direction of the utilization of economic resources, and centralized methods of over-all social planning) which might tend to smother these goals. The net result of all this has been a convergence of all three systems toward a common, if remote, system of the future.

A New Economic Theory to Dominate the Earth

The ultimate nature of that new system of economic and social life is ... [what] we might call it the "pluralist economy," and characterize its social structure as one which provides prestige, rewards, and power to managerial groups of experts whose contributions to the system are derived from their expertise and "know-how." These managers and experts, who clearly are a minority in any society, are recruited from the society as a whole, can be selected only by a process of "careers open to talent" on a trial-and-error basis, and require freedom of assembly, discussion, and decision in order to produce the innovations needed for the future success, or even the survival, of the system in which they function. Thus the pluralist economy and the managerial society, from the early 1940's, have forced the growth of a new kind of economic organization which will be totally unlike the four types of pre-1939 (American laissez faire, Stalinist Communism, authoritarian Fascism, and underdeveloped areas).

The Characteristics of the New Pluralist Managerial System

The chief characteristics of the new pluralist managerial system are five in number:

1. The central problem of decision-making in the new system will be concerned with the allotment of resources among three claimants: (a) consumers' goods to provide rising standards of living; (b) investment in capital goods to provide the equipment to produce consumers' goods; (c) the public sector covering defense, public order, education, social welfare, and all the central care of administrative activities associated with the young, the old, and public welfare as a whole.

2. The process of decision-making among these three claimants will take the form of a complex, multilateral struggle among a number of interested groups. These groups, which differ from one society or area to another, are in constant flux in each society or area. In general, however, the chief blocs or groups involved will be: (a) the defense forces, (b) labor, (c) the farmers, (d) heavy industry, (e) light industry, (f) transport and communication groups, (g) finance, fiscal, and banking groups, (h) commercial, real-estate, and construction interests, (i) scientific, educational, and intellectual groups, (j) political party and government workers, and (k) consumers in general.

The Central Managerial Elite Operate the System

3. The process of decision-making operates by the slow and almost imperceptible shifts of the various blocs, one by one, from support to neutralism to opposition toward the existing division of resources among the three claimant sectors by the central managerial elite. If, for example, there is excess allotment of resources to the defense or governmental sector, the farming groups, consumers, commercial groups, intellectuals, and others will become increasingly dissatisfied with the situation and gradually shift their pressures toward a reduction of the resources for defense and an increase of the resources for the consumer or the capital investment sectors. Such shifts are complex, gradual, reversible, and continuous.

4. The working out of these shifts of resources to achieve the more concrete goals of the diverse interest blocs in the society will be increasingly dominated by rationalist and scientific methods emphasizing analytical and quantitative techniques. This means that emotional and intuitive forces will play, as always, a considerable role in the shifting of interest blocs which dominate the allotment of resources among the three sectors, but that rational rather than emotional methods, on quantitative rather than qualitative bases, will dominate the utilization of such resources within each sector for more specific objectives. This will require considerable freedom of discussion in such utilization even where, as in Communist states or in underdeveloped areas, authoritarian and secretive methods are used in reference to the allotments among sectors. And, in general, there will be a very considerable modification of the areas and objectives of freedom in all societies of the world, with gradual reduction of numerous personal freedoms of the past accompanied by the gradual increase of other fundamental freedoms, especially intellectual, which will provide the technical innovations, the clash of ideas, and the release of personal energy necessary for the success, or even the survival, of modern state systems.

5. The details of the operations of this new system will inevitably differ from area to area and even from state to state. In the Western bloc of states the shifts of public opinion continue to be reflected very largely in shifting political parties. Within the Communist bloc these shifts will take place, as they have in the past, among a smaller group of insiders and on a much more personal basis, so that shifts of targets and direction of policy will be revealed to the public by shifts of personnel in the state's bureaucratic structure. And in the underdeveloped countries, where possession of power is frequently associated with support from the armed forces, the process may be reflected by changes

in policy and direction by the existing elite and rulers who retain their power in spite of changing policies.

In the most general way, the period since 1947 has shown that the differences between any two of the three blocs are becoming less; the three methods for achieving policy shifts (just mentioned) are becoming increasingly similar in essence and in fact, however different they continue to be in law. Moreover, in the same years since 1947, the solidarity of both the West and the Communists has become increasingly less, while the unity of outlook, policies, and interests of the uncommitted and underdeveloped peoples of the intermediary zone between the two great Power blocs become increasingly unified.

A Managed Economic System

The method of operation of this newly formed pluralist-managerial system may be called "planning," if it be understood that planning may be both public and private and does not necessarily have to be centralized in either, but is rather concerned with the general method of a scientific and rational utilization of resources, in both time and space, to achieve consciously envisioned future goals.

Europe and Japan Serve as the Model for the New System

In this process the greatest achievements have been by western Europe and by Japan. The latter, relieved to a great extent from the need to devote resources to defense, has been able to mobilize these for investment and, to a somewhat lesser degree, for rising standards of living, and has been able to achieve growth rates of gross national product of 7 to 9 percent a year. This has made Japan the only area of the non-Western world and of the underdeveloped countries able to pass into the higher level of industrialization capable of achieving substantial improvements in individual standards of living. These improvements, held back by the emphasis on reconstruction and investment in 1945-1962, have shifted slowly but steadily in the last few years toward consumers' benefits, including such intangibles as increased education, sports, leisure, and entertainment.

Western Europe has had an experience somewhat similar to that of Japan except that its chief emphasis has been on improved standards of living (collectively known as "welfare"), with more emphasis on defense and less emphasis on investment than Japan. As a result, western Europe, especially West Germany, Italy, France, Scandinavia, and Britain, have, for the first time, come within striking distance of the very high standards of personal consumption found in the United States. In this process these countries have allowed the defensive power of their armed forces to suffer for the sake of their welfare goals, but have felt safe in doing so because of their reliance on American defensive power to deter any Soviet aggression.

Western Europe

In this process western Europe has achieved growth rates in gross national product (GNP) of 4 to 8 percent a year as a consequence of three basic forces. These have been:

(1) the skillful (and perhaps lucky) use of financial and fiscal techniques which have encouraged both investment and willingness to consume; (2) the economic and technical aid of the United States, beginning with the Marshall Plan of 1946 and continuing with United States government military aid and investments of savings coming in from the whole Western world; and (3) the growing integration of Europe's economy in the Common Market which has made it feasible to adopt mass-production techniques for a greatly enlarged market.

America

In this same process the achievements of the United States and of the Soviet bloc have been much less spectacular from a purely economic point of view. In the United States, where the standard of living has reached unprecedented heights of affluence, the burdens of being a super-Power have hampered welfare because of the conflicting claims of defense, governmental expenses, prestige, and other rivalries with the Soviet Union, and the desire to contribute to the growth of the underdeveloped areas of the world. As a result, growth rates of GNP have been from 2 to 5 percent a year, and the burden of the governmental sector, including defense and increasing demands for such welfare items as education, health, and equalization of personal opportunities, have put great pressures on the growth of the consumers' sector.

Soviet Bloc

The Soviet bloc as a whole, apart from the Soviet Union as the dominant member of that bloc, has been ambiguous in its economic growth. The demands of the defense sector and of other reflections of the Cold War, such as the "space race," have combined with the continued failures of Communist agricultural practices and the intrinsic inefficiency of the Communist system as a whole to limit severely the rise in standards of living. To be sure, the standards of living of the Soviet Union itself have reached the highest in Russia's history, while still lagging at only a fraction of those in the United States. But in the Communist bloc as a whole the picture has been far less happy. The non-Russian countries in the bloc have been exploited by the Soviet Union, have been treated as colonial areas (that is, sources of manpower, raw materials, and food based on claims arising from political relations), and have achieved little, if any, increase in GNP beyond that needed to sustain their increasing populations. In the cases of more western areas, such as East Germany, Hungary, and Poland, this has been reflected in absolute declines in living standards. The sharp contrast between this and the visible boom in West Germany has greatly increased the discontent in the European satellites.

Lower Developed Nations

The position of the underdeveloped nations has also been generally ambiguous. As a whole, lack of know-how and trained manpower, lack of capital, waste of resources by small privileged elites, absolute shortages of resources in some areas, the rapid growth of populations almost everywhere, and hopelessly unprogressive social structures and ideologies have combined to prevent any considerable improvements in standards of

living. These have, in fact, decreased in much of Indonesia, the Near East, and Latin America, and have kept only slightly ahead of the growing population in India, Southeast Asia, and Africa. Only in Japan, as we have said, has there been success from this point of view, while the failure of these desires in China and in Latin America have tended to lead both of these out of their former alignments with the Soviet bloc and the Western bloc toward the more ambivalent political position of the uncommitted nations. In fact, in this process China's enmity toward both the Soviet Union and the United States has tended to place her in a new position, apart from all the pre-1962 alignments of international politics, while Latin America's growing discontent has tended to lead it, from many points of view, toward the position of the Near East countries.

Part Twelve—The Policy of Appeasement, 1931-1936

Chapter 39—Introduction

The structure of collective security, which had been so imperfectly built after 1919, by the victorious Powers, was destroyed completely in the eight years following 1931 under the assaults of Japan, Italy, and Germany. These assaults were not really aimed at the collective security system or even at the peace settlements of which it was a part. After all, two of the aggressors had been on the winning side in 1919. Moreover, these assaults, although called forth by the world depression, went far beyond any reaction to the economic slump.

From the broadest point of view, the aggressors of 1931-1941 were attacking the whole nineteenth century way of life and some of the most fundamental attributes of Western Civilization itself. They were in revolt against democracy, against the parliamentary system, against *laissez faire* and the liberal outlook, against nationalism (although in the name of nationalism), against humanitarianism, against science, and against all respect for human dignity and human decency. It was an attempt to brutalize men into a mass of unthinking atoms whose reactions could be controlled by methods of mass communication and directed to increase the profits and power of an alliance of militarists, heavy-industrialists, landlords, and psychopathic political organizers recruited from the dregs of society. That the society which they came to control could have created such dregs, men who were totally untouched by the traditions of Western Civilization and who were restrained by no social relationships at all, and that it could have allowed the militarists and industrialists to use these dregs as an instrument for seizing control of the state raise profound doubts about the nature of that society and about its real allegiance to the traditions to which it paid lip service.

The speed of social change in the nineteenth century, by quickening transportation and communications and by gathering people in amorphous multitudes in the cities, had destroyed most of the older social relationships of the average man, and by leaving him emotionally unattached to neighborhood, parish, vocation, or even family, had left him isolated and frustrated. The paths which the society of his ancestors had provided for the expression of their gregarious, emotional, and intellectual needs were destroyed by the speed of social change, and the task of creating new paths for expressing these needs was