Commentary on Dr. Morley

Of the numerous interesting letters received concerning Felix Morley's article in our first number, "American Republic or American Empire," we print here the rejoinder of Dr. William Fleming, head of the political science department at Ripon College, and two other communications.

DR. MORLEY TAKES A GLOOMY view of everything. To him our armament program is not intended as a defense of the United States and the American people against the menace of the Soviet Union but as a shot in the arm of the American economy and as implementation of our "full employment policy." Under our system of capital an unab sorbed excess of production will be likely to lead to slowdowns in some industries. The resulting unemployment, being at variance with our "full employment" policy, can be successfully combated only by having a permanent war economy. Congress would refuse to vote for any other estimates on a gigantic scale than those submitted by the Administration in the name of national security.

To sell the program to the American people, the government must stoop to deceiving and lying. This, according to Dr. Morley, is to be expected. Only individuals are moral, governments are not. "Self-preservation is not merely the first, but the only law of their nature." Dropping the atom bomb on Hiroshima and advertising Savings Bonds as "the safest investment in the world", are only some illustrations of the many examples of American government preferring to be guided by mere expediency rather than principles of morality. So, "one can no longer afford to believe what government officials say."

In taking issue with Dr. Morley's views it is unnecessary to recall in detail that world revolution is the avowed objective of international communism in theory and practice. Dr. Morley himself admits on p. 28 of his essay to the possible truthfulness of the theory that Soviet Russia is our permanent and undeviating foe.

If this be the case, however, our defense policies must be considered as primarily intended to enable the nation to cope successfully with political danger emanating from without rather than economic danger originating from within.

In view of Dr. Morley's contentions it is still necessary, however, to inquire into those factors deemed the true causes of the accomplishments and the success of capitalism which has ushered in an era of unprecedented prosperity. I should like to draw upon the findings of especially qualified experts in this matter.

The American Round Table, a group of business leaders, labor experts, and university professors which met under the chairmanship of Dean Sinnott at Yale University in 1956, suggested, among other things, though not necessarily in this order, the following factors that have made possible what the group called people's capitalism: (1) spiritual ideas, such as those stressing the merit of economic endeavor, economic progress, and economic gains, and emphasizing the virtue of self-denial
as a means to gain; (2) moral ideas of fair play and self-restraint; (3) the concept of freedom and individual initiative; (4) the idea of equal opportunity; (5) the incentive system; (6) a dynamic, classless society; (7) the American system of education; (8) mobility and quick adaptability of Americans to change; (9) the concept of limited government; (10) the concept of government by rule rather than by fiat; (11) the unparalleled wealth of natural resources; (12) a highly developed technology; (13) increase of total output. Prosperity under capitalism, then, has been made possible by a variety of factors rather than exclusively or primarily those defense policies to which Dr. Morley attaches so much importance.'

These views are shared by the Council of Economic Advisers to the President and embodied in the “Economic Report of the President” which was transmitted to the Congress on January 24, 1956.8

“Expansion Through Free Enterprise: Many factors have been quietly adding to the strength of our economy, and the current expansion is fundamentally an expression of their cumulating force. Among these factors are the unexpectedly large upsurge of population in the past decade, the continued growth of scientific knowledge, the onrush of technology, the rapid obsolescence of what is sometimes regarded as fixed capital, the recent development of long-range investment planning by industry, the improved control over inventories, the intensified pace of business competition, the wide diffusion of well-being among people, their insistent and growing desire to earn more and live better, the developments of mass markets to match mass production, the rebuilding of Western Europe, the general recognition of government’s responsibility in helping to maintain a stable prosperity, and the growing understanding that public policy must protect economic incentives if enterprise, innovation, and investment are to flourish. All these factors are and probably will continue to be basic to our progress...”

Since the chairman of the Council which had prepared this Report was a Columbia University professor of economics, there is probably not much to be said on behalf of the possibility, so dreaded by Dr. Morley, that the Report, instead of expressing the true opinion of its author, is nothing but a piece of governmental propaganda designed to conceal the crucial role of our defense spending policies as the real cause of our prosperity.

Furthermore, it is incorrect to say that we have adopted a “full employment” policy which is being implemented, among other things, by our defense programs. It is true that Senator James E. Murray of Montana introduced a bill on January 22, 1945, sponsored by himself and three of his colleagues which was called “a bill to establish a national policy and program for assuring continuing full employment in a free competitive economy, through the concerted efforts of industry, agriculture, labor, state and local governments, and the federal government”. Professor Carl B. Swisher has commented on the bill: “In the form in which it was referred to the Senate Committee on Banking and Currency, the full employment bill declared it to be the policy of the United States to foster free competitive enterprise and the investment of private capital in trade and commerce, and in the development of the natural resources of the United States. Having thus done lip service to a basic American dogma, it declared further that all Americans able to work and desiring to work had the right to useful, remunerative, regular and full-time employment, and proclaimed it the policy of the United States to assure the existence at all times of sufficient employment opportunities for people who had finished schooling and who did not have full-time housekeeping responsibilities. By way of machinery the bill provided for what was called a budgetary system to appraise not only the fiscal operations of the federal govern-
ment but also the operations of the entire national economy. . . . Congress would work out a program which would bring about the desired full employment." After the adoption of amendments defining and limiting the government's spending program the bill was adopted by the Senate.

However, in the House the bill met conservative opposition. The Committee on Expenditures in the Executive Departments, reporting favorably on the substitute bill as drafted by its subcommittee, stated:

"The committee substitute unqualifiedly rejects this theory, under which employment through private enterprise would be perfunctory, and the guaranty would really rest on federal investment and expenditure—a gigantic and unworkable proposal contemplating improvised expenditures and unwholesome federal concentration. The adoption of such a theory not only would inevitably entail continued deficit spending, but would also destroy the system which has made this nation strong and great—the system of free competitive enterprise, under which the highest standard of living in history has been attained. The committee substitute recognizes that the way in which to achieve and maintain high levels of employment is to preserve and encourage the American system of free competitive enterprise, to aid in the development and maintenance of conditions favorable to stimulating new business, to encourage individual initiative and individual self-reliance, to avoid government competition with private business, and above all to adopt sound fiscal practices and maintain the credit of the United States. . . ."

In other words, the principle of maintaining "full employment" through governmental spending had been completely abandoned. Furthermore, there was no reference to what President Truman had requested: "a national reassertion of the right to work for every American citizen willing and able to work." The bill had become "an act to declare a continuing national policy and program to promote high levels of employment, production, and purchasing power in a free competitive economy."

What finally emerged from the deliberations of the Conference Committee, established to iron out the differences in basic economic philosophy between Senate and House, was a bill which provided that there should be the Council of Economic Advisers and that the President should submit an annual economic report to be studied by a joint committee of the two houses which might make recommendations for possible legislative action. However, "there was no assertion of a right to a job; there was no demand for full employment; there was no promise of wholesale government expenditures to maintain employment at any level."

It follows from the foregoing that Dr. Morley is in error when he repeatedly speaks in terms of "full employment". In no sense can the Employment Act of 1946 be characterized as "full employment" legislation.

Furthermore, it is not true that "full employment" has been accepted by both of the major political parties. "The Republican party believes that regular and adequate income for the employee together with uninterrupted production of goods and services through the medium of private enterprise are essential to a sound economy. This can only be obtained in an era of industrial peace." Thus reads, under the heading "Labor", the relevant part of the 1952 platform of the Republican party. The platform of the Democratic party of 1952 seems to be different inasmuch as it contains a paragraph labeled "Full Employment." It reads as follows: "The Democratic Administration prudently passed the Employment Act of 1946 declaring it to be national policy never again to permit large-scale unemployment to stalk the land . . . We pledge ourselves at all times to the maintenance of maximum employment, production, and purchasing power in the
American economy”. It is quite clear, therefore, that the paragraph title “Full Employment” to the contrary notwithstanding, the Democratic party actually did not go beyond the Act of 1946—part of which, I may add, is literally incorporated into the platform.

As to the 1956 platforms, they are likewise devoid of any underwriting of a “full employment” policy. The Republican platform proudly proclaims that “the Eisenhower Administration has brought to our people the highest employment, the highest wages and the highest standard of living ever enjoyed by any nation.” It, then, goes on to say that “workers have benefited by the progress which has been made in carrying out the program and the principles set forth in the 1952 Republican platform.” As to the Democratic platform of 1956, its partial text as published in the press, does, of course, contain a chapter on Labor which deals with a variety of subjects such as repeal of Taft-Hartley, raising minimum wages, and extension of unemployment insurance. Nothing is said in the platform, as published, about “full employment” being an objective of the Democratic party.

Also it should be noted the Defense Department has been revising its basic military thinking and defense strategy. It is this “New Look” which proves that Dr. Morley’s idea of the true motives behind our defense policies cannot be accepted. “Harder times lie ahead for many arms industries, for lines of business that depend heavily upon military orders”, U. S. News & World Report reported August 9, 1957. The paper added that, though no big cuts in employment were indicated, layoffs in arms industries had already started and would probably spread. A few days later more specific information was made available, especially of the New York Times which was published under the heading: “Defense Spending Trimmed Heavily; Missiles Exempt”. According to this report, the Defense Department had reshaped its spending budget “ordering drastic reductions in funds for the military services”.

The new policy will result, among other things, in “substantial retrenchments” in the defense industries. Possibly typical of the developments to come, is the recent cancellation by the Air Force of a $100,000,000 contract with Republic Aviation. Similarly, the Navy announced curtailments and slow downs in productions of six types of aircraft in a move to reduce current expenditures by $90,000,000. Private aircraft industries, with the exception of companies doing ballistic-missiles work, were called upon by the Air Force to cut their payrolls 5% by next October. Pentagon officials are reported to believe that the working force in the industries could be reduced by 100,000.

In addition, the military services themselves have announced cutbacks affecting civilian personnel. The Air Force has disclosed plans to cut its civilian payroll expenditures by $8,000,000 a month. By the end of October, it is estimated, 20,000 civilian employees will be dropped from the payroll of the Air Force. The Navy has announced that it will drop 18,000 civilian employees in the current fiscal year with a saving of $6,000,000 a month. At the time of writing (August 23, 1957) army plans are yet to be announced.

Several other recent developments in the military field deserve attention. First, the Pentagon is aiming at a budget that, by providing for 2,500,000 men for the next fiscal year, would slash 300,000 from the strength of the armed forces as of July 1, 1957. Second, a substantial number of United States ground forces will be withdrawn from overseas, including Germany, according to some sources. Such a withdrawal is already under way from Japan. Third, on August 15, 1957 the House of Representatives passed a Mutual Security Appropriations Bill that fell $809,650,000 short of President Eisenhower’s
request. The bill was passed by a large majority, 252:130.13

Political, military, and economic considerations have been responsible for these policies. Among them are:

(1) The views of some of the American policy makers concerning the Soviet Union have undergone a significant change. "There is a definite feeling that Russia may be in so much trouble at home that she'll hardly start big war abroad."14

(2) The development of new small, tactical atomic and nuclear weapons "add so much to fire power that not only the units handling them but the whole armed force are held capable of substantial manpower reduction without impairing our defense posture." The new weapons will permit "an alternative to ‘massive retaliation’, a more flexible strategy which can take into account the possibility of having to fight limited ‘little’ wars in order to avert the greater catastrophe.”

(3) In this connection, it is felt that a new policy of increasing reliance on our allies should be adopted. "I think it is logical”, said General Thomas D. White, Air Chief of Staff, recently, “that we recognize the military potential and good faith of our allies and plan accordingly.” He then emphasized: “United States duplication of allied strengths will not advance the collective security.”15 As New York Times stated August 13th: “We shall maintain our commitments to our allies, but these commitments will increasingly be met by atomic support units with far greater defensive strength than our present ‘conventional’ ground troops . . . .”

(4) As far as U. S. News & World Report is concerned, “the new defense concept is of ‘survival’ forces. U. S. is to place its emphasis upon military forces that will assure the nation of survival if an attack is launched against it. These ‘survival forces’, in turn, would have the capability of devastating counterattack against the enemy.”16

(5) The Navy has justified its retrench-ment policies affecting civil employment, among other things, with a reference to the high cost of modern weapons.

(6) The new policies are, at least in part, prompted by evidence that without cutbacks and retrenchments the debt ceiling of $275 billions would be exceeded. Therefore, the Secretary of Defense declared the spending estimate of $36 billions a ceiling to which the individual services must adjust themselves.

(7) Fear of inflation is one of the factors responsible for the new policies. “In part, cuts are related to the effort to check inflation. Arms spending is regarded as inflationary.”

(8) The new policies may also be related to the growing pressure for tax relief. “Tax cuts of any size can come only if spending is reduced, and armament is the field in which cuts can be largest.”17

(9) In the House of Representatives Mr. Passman, as floor manager of the Mutual Security appropriations bill, defended the slash of $809,650,000 “as based on common sense and what they need rather than a lot of headlines.” He accused Administration officials of “purposely losing sleep working up figures they cannot justify and asking for money they cannot spend.”18

(10) Finally, there is evidence that some of the new policies are based upon, and designed to implement, ideas expressed by former President Hoover in a radio-TV address of January 7, 1952. Among his proposals, some of which bear a striking likeness to the new policies, are the following: "That the only way we can hold the initiative in this ‘cold war’ is not to scatter our ground armies all around the 25,000 miles of Communist borders but to concentrate on a highly mobile striking force by air and sea; that we should furnish such munitions as we can afford to other nations who show a determined will to defend themselves; that to maintain the economic strength of the United States and to prevent its socialization does not
permit our building up great ground armies in addition to overwhelming air and sea forces and supply of munitions to other nations; that . . . we expect them [our allies] on the basis of their performance in previous wars, and now with the aid of munitions from us, to realize that ground armies are Europe's own sole problem."

Whether all these new policies will continue, I do not know. However, I have dealt with them at greater length to demonstrate that today's decisions concerning defense spending are being made on the basis of important political, military, or varied economic considerations rather than, exclusively or primarily, the alleged necessity of rescuing capitalism or implementing the non-existing "full employment" policy.

What of that immorality of American government which, according to Dr. Morley, manifests itself in the dropping of the atom bomb and advertising Savings Bonds? Is it immoral if the government advertises its Savings Bonds as "the safest investment in the world"? Is this not an indefensible deception of the public? It appears the answer to both these questions should be in the negative. Without being specially trained in economics, the "average citizen" has enough experience and common sense to realize that buying Savings Bonds does not give him a guarantee against the loss of the purchasing power of the dollar. He does not expect such a guarantee, nor has the government ever extended one to him. Consequently, when Dr. Morley accuses the government of fraud, he finds the government guilty of an act it has never committed. All the government is doing when it advertises its Bonds as "the safest investment in the world", is to recall to the potential buyer something he knows anyway: that there is, and always will be, a government of the United States of America that, instead of defaulting on the Bonds, will scrupulously honor its obligations—with interest—at the time when the Bonds will mature. On the other hand, when buying industrial stocks, the individual investor may well run the risk of investing unwisely. Buying Savings Bonds means to incur losses through inflation. Buying shares of corporations may well mean even greater losses. Interestingly enough, in these very days we have been told that "stock prices go down, of late, with ease; go up with difficulty." We also learn that "the great majority of investment counsellors and trust companies have put their portfolios on a fifty-fifty basis; that is, half the securities are in stocks, the other half in bonds and cash. Six months ago it was about two-thirds stocks, one-third bonds. That trend has been under way for some months and now has become widely prevalent." How can this "flight into bonds" be explained? "A strong influence probably is the fact that the yield from high-grade bonds averaged higher than the return on common stocks of well-established companies." In view of all the foregoing, it stands to reason that the purchase of United States Savings Bonds as compared with imprudent private investments may, indeed, be called a safer or even "the safest" transaction. If this be true, the government is scarcely guilty of fraud or misrepresentation.

However this may be, even if American government should have, in isolated cases, acted immorally, it does not follow that it has formed the habit of neglecting standards of morality, and deceiving the people, and that it can never be believed because it has forfeited the trust the people have put in it. I am disinclined to arrive at such a conclusion.

—WILLIAM FLEMING
Ripon College

FELIX MORLEY’s powerful “American Republic or American Empire” prompts this epistle. . . . As U. S. Government E-Bonds become harder to sell to people who have been learning about investments and dividends, apparently certain factors in big business have offered a helping hand. Mr. R. L. Callanan of the New York Stock Exchange sent to me a copy of a booklet entitled “Stock Ownership Plans for Employees”. . . . Perusal of this reveals that General Electric as well as other companies did something to aid in the sale of E-Bonds. The GE Plan makes it possible for employees to buy up to $525 per year by payroll deductions and deposit same with the company. Provided these bonds are left with the company for five years, the company will award a bonus of 15% of the bonds’ cost payable in GE stock. President Ralph J. Cordiner states that more than 119,000 GE employees have invested in E-bonds costing $185 million, and 855,000 shares of GE stock have been given as a bonus, this latter valued at the market rate as being worth $47 millions. Among many other examples is Socony Mobil, Inc., which offers a plan for employee purchase of E-bonds, as one of three options, up to 5% of employee pay for which the company pays a bonus of 50% of the cost to the employee.

Now I do not choose to impugn the motives of business enterprises which may have been assisting the Federal Government patriotically . . . but it is a fair question that if E-Bond purchases are so safe as an investment, why throw in good common stock as an incentive to save? . . . There is in an advertisement in the Wall Street Journal of August 28th a headline: “How General Electric is Trying to Help Meet the Increasing Challenges of Defense.” The statement is made: “Nearly half of GE’s technical personnel is assigned to defense work, even though it is only about 20% of the company’s total business.” The company offers an explanation of its views and activities concerning national defense to people who write its Department F2-119 at Schenectady, N. Y. This booklet will not say how the company would fare if it had zero defense business—Mr. Morley’s point, in part.

The above comments may appear puerile to one of Mr. Morley’s competence, but let this response not detract from the desirability of MODERN AGE to provide a forum for the exchange of ideas in our America of 1957. The political scientist is not an experienced businessman and vice-versa . . . I aspire to be that “hick Congressman” to whom Mr. Morley refers who will raise some conservative question about cost, or community, or morality, or what our ancestors would have done in the position in which we find ourselves today. If MODERN AGE can provide the forum, you have accomplished something, Mr. Editor, and more power to you . . .

—JOHN R. HERTZLER
York, Pa.

The disintegrating effects of democracy are the result of a moral malady; and to correct them requires an attack on a moral plane, not a change of institutions.
(which always represent the spirit anyway) or the substitution of monarchy or oligarchy for our democracy (which the dead of two wars have failed to hallow), in the hope of getting an Imperium. I think that Dr. Morley's own examples show the moral nature of this problem. He gives no economic argument to show that we ought to throw our money away. Actually, around 1915 the principal economic virtue, which is thrift, was abandoned on a national scale; and no one since has had any control on our spending. According to the Christian LePlay the economic effort is not made to increase wealth, but to increase virtue. As soon as we lost this moral view of wealth we lost control of it. Similarly, our hereditary Christian view of war is that it is a moral phenomenon. As long as it was so regarded, it was possible to exhaust the possibilities of discussion, and negotiation in pursuit of justice and even expediency, before calling on arms to decide. There was a perceptible control of war possible; and no one could or did advance the proposition that economics required a war. For a nation as rich as ours to be dragged into a war in order to maintain the standard of living is so incredibly unreasonable as to be meaningless. To avoid such a war, all that is required is a little easy thrift (not the tough sort that really made men of our ancestors); and the inability to avoid such a war simply goes to show that the people concerned have given up any effort on their own account, and face catastrophe with apathy and fatalism. If there is any truth in the economic argument Mr. Morley uses, then a little bit of thrift generally practiced throughout the nation would materially reduce our occasions for war, and considerably increase our chances for victory when we did fight. Of course this is true; but, equally of course, great and holy as thrift is as a virtue, it is far from being a complete moral system; and I feel sure that Mr. Morley would agree with me that an attempt to preach thrift as an answer to our woes would fail miserably, even if it were supported by arguments to show that thrift contributes to peace, victory, and wealth."

—JOHN WISNER
Nashville, Tennessee

From an American Painter in Paris

MODERN AGE intends to print, from time to time, letters touching on life and opinion abroad. The following interesting observations are send to us by Dr. Robert Davison, an American painter living at present in Paris.

"Being in France, I have come to feel a very great sadness at the loss of the Middle Ages. It is really the Hittite civilization of our race. It is so utterly beyond recall and even comprehension. Its remaining monuments seem almost bizarre in the small towns where you find them. The sense of this was acutely enhanced by the fact that I read Tocqueville's The Old Regime and the Revolution and Burke's Reflections: magnificent books both although I don't understand Tocqueville’s criticism of Burke’s recommendations, and less do I understand the reputation of Paine’s criticisms . . . .

"These things make Paris a very melancholy place. One understands only too well that it is a dead city, or perhaps a pretentious city barbarians built over a great city they sacked. Because the barbarians have become effete and aimless in a distressingly short time, the city’s pompous attempt to imitate civilization is dying.