

EUROPE WATCHES THE AMERICAN VENTURE

By HAROLD CALLENDER
LONDON.

EUROPE is anxiously watching the progress of what has come to be known here as the great American experiment. The adjournment of the World Economic Conference for several months signifies that Europe and much of the rest of the world are waiting upon President Roosevelt. All general schemes for monetary agreement and tariff reduction are hanging in the balance pending the outcome of the American adventure in planned economy. For Europeans see no hope of anything more than partial and tentative measures for the reconstruction of world credit and trade while the future of the dollar and of American industry remains obscure.

Not only will the rapidity of the world's economic recovery be determined largely by the degree of success that crowns the American effort, but the direction and scope of national policies everywhere will be decisively influenced by it. It will put certain theories to the test, notably that of planning on a national scale and that of stimulating expansion by monetary means, and may decide the trend of economic thought for years to come.

Economists have long envied the chemists and physicists who enjoy the advantage of being able to advance from experiment to experiment where the social scientist is condemned to speculation. America is engaged in a gigantic experiment in economics, while the rest of the world looks on. If it is deemed successful other nations will be disposed to try similar methods, and the American reputation for economic pioneering (which has notably declined in the last four years) may rise with the price level to the high point of the pre-slump period.

IN Europe the President's program is considered to represent a venture, a gamble, on decidedly nationalistic lines, in that it seems to preclude for a long time to come the kind of international collaboration for currency stabilization and tariff reduction which Mr. Roosevelt himself advocated a few months ago and which his Secretary of State enthusiastically proclaimed as recently as the opening days of the economic conference. As the President put it, "The aim of this whole effort is to restore our rich domestic market." Foreign markets and international finance take second place.

America had the choice between purely national action and such an effort toward world-wide cooperation for recovery as was the purpose of the London conference. The prospects of effective international measures were admittedly not very hopeful. Meanwhile, a substantial rise in prices and employment took place in the United States. The President's advisers were divided. Some favored the international solution—the stabilization of currencies and the reduction of trade barriers on the lines already laid down by the President and the European statesmen who had visited him in Washington. Others insisted upon going ahead with the American experiment independently of the outside world, on the assumption that the United States could recover alone and unaided. Moreover, the first step toward concerted international action—the stabilization of the dollar—would, it was feared, check the rise in prices that had aroused new hopes (and new speculation) in America.

The national experiment and the international program were irreconcilable. Raising American prices by the means contemplated made it impossible to raise world prices by removing trade barriers (to which stabilization was a prerequisite). So the President chose the nationalistic road and the economic conference was condemned to futility. This, at any rate, is the European view.

Europeans cannot complain—and

If Our Program of Planned Economy Is Successful, Other Countries Will Be Disposed to Try Similar Methods

none does complain—because America has had a sudden access of nationalism. Their only grievance is that she chose a singularly inconvenient moment for it. Not until the economic conference, which she had helped to assemble, had begun its work did America decide that she could not participate in a currency truce similar to the tariff truce which she herself had proposed.

Neither the relatively free trade of pre-war days nor the reckless international lending of the years 1924-28 seem likely to be revived. There are no indications of a general reduction of tariffs, and any movement in this direction probably will be local and regional, as foreshadowed by the British trade treaties and the proposals for Danubian cooperation. In her economic nationalism, at any rate,

Mr. Roosevelt's program is also regarded in Europe as at least potentially inflationist, since it apparently involves the raising of prices, if necessary, by monetary as well as economic measures. The President's authority to devalue the dollar has been held in reserve and perhaps may not have to be used. But the knowledge that it is there may have had some effect in stimulating spending, and Europeans

gold standard—of her own free will. Europeans generally, especially those who have experienced it in their own countries, are terrified by any suggestion of inflation. Since America's permanent recovery means so much to the world, they hope it can be achieved without resort to monetary manipulation.

LESS disquieting but almost equally novel is the American insistence upon higher wages and shorter working hours as a means of increasing the consuming capacity of the public. Some European economists, notably J. A. Hobson in England, have contended for many years that the fundamental flaw in the economic scheme was that too much wealth was concentrated in the hands of a few and hence invested in ways which increased production, while too little was distributed in wages and salaries so as to enable consumption to keep pace with production. President Roosevelt and General Johnson seem to accept this view and to contend that sound prosperity involves a wider distribution of income, with more spending in proportion to saving.

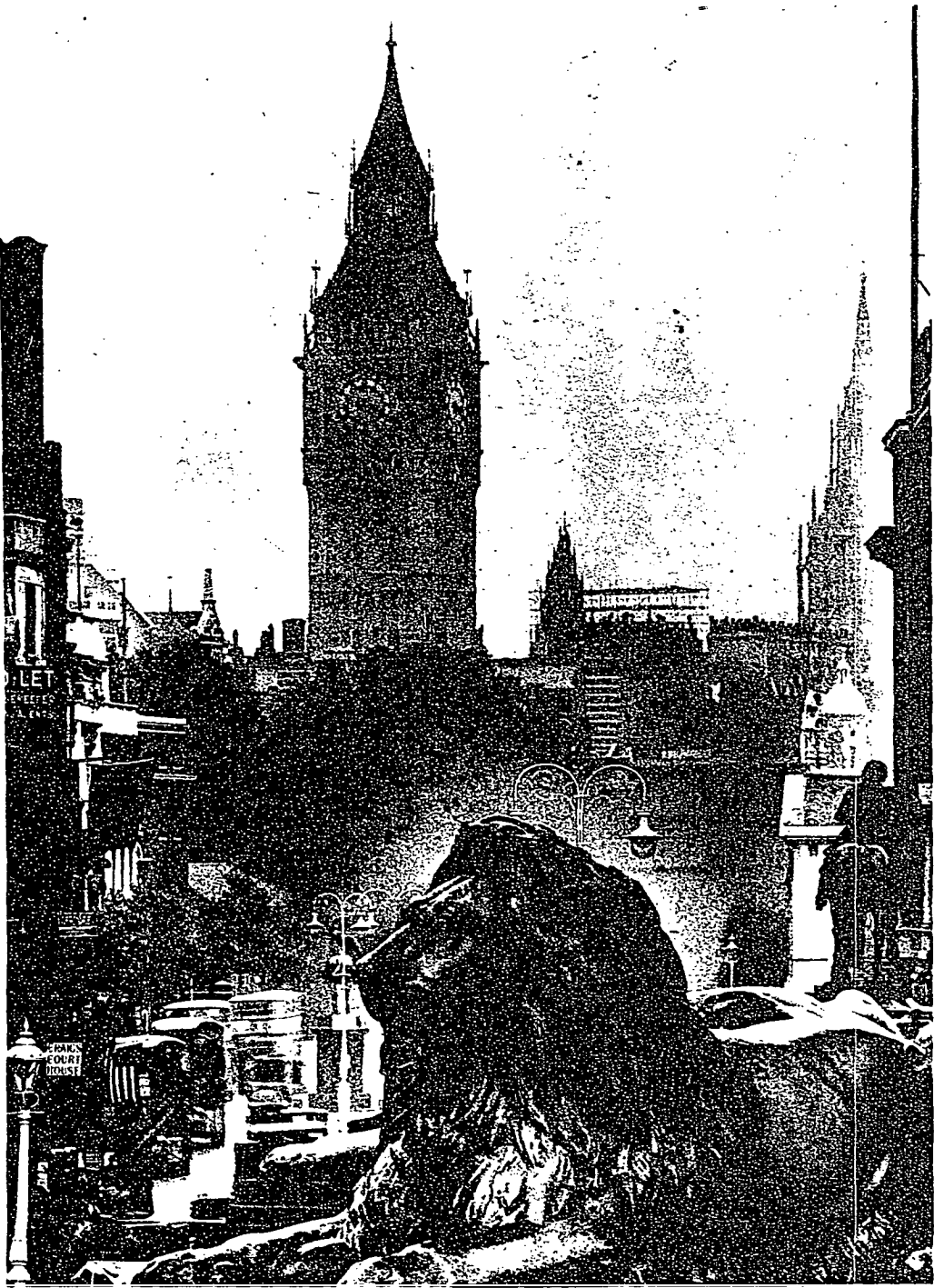
To nations which have struggled to keep their wage levels low in order to gain foreign markets, this is a disturbing conception. High wages have usually been regarded as a consequence of prosperity but not a cause of it. Hence the question is asked how America is to maintain her exceptional wage levels and her short working week—which increase the cost of production—unless she enacts even higher tariffs to protect her industries, or else devalues her currency.

IN other respects, too, the American experiment is looked upon in Europe as revolutionary. The United States seems to have abandoned in a trice the whole philosophy of economic individualism on which it was nurtured, and to have set out to subject its industries to a degree of government control comparable in some ways to that of Fascist Italy and Germany. It is recognized that the extent and permanence of this State supervision is yet undetermined, and that it might relax considerably if prosperity returned; but the present economic experiment seems to be based upon planning and regulation through what President Roosevelt calls "modern guilds."

Signor Mussolini has noticed and commented upon the similarity between Mr. Roosevelt's ideas and his own. He was gratified to note that "the President is no longer bound by the dogmas of economic liberalism"; he remarked that the "atmosphere" of the American experiment is "similar to the atmosphere of fascism"; but he thinks the President clings to the principle of State intervention in industry rather than seeking State control in the Italian manner.

If the American experiment were to result in a permanent scheme of State supervision, greatly restricting individual freedom of action, it would not greatly surprise certain Europeans. For they have long regarded America as a nation whose individualism was most notable in the field of politics and whose economic success in the earlier post-war years was attributable to a kind of economic collectivism. André Sigfried has spoken of "the collective tyranny" in America against which the youth did not rebel because they had not "the individualist mentality." He wondered whether America's enthusiasm for material gains would not "extinguish the flame of individual liberty" which Europe considered "one of the essential treasures of civilized men."

This collectivism was, of course, social rather than political; and it was manifested, as Europeans saw it, in the acceptance of a certain uniformity in manner of life and



A Composite Photo of London © Associated Press.

Europe Watches—"National Policies Everywhere May Be Influenced by the American Effort."

As to nationalism in the field of economics, that is one of the few principles upon which there is virtually unanimous agreement among the otherwise divided nations. If President Roosevelt's frank nationalism had not cut the ground from under the economic conference, that gathering probably would have been doomed to relative fruitlessness by the nationalism of other countries. For all signs point to an attempt to restore the economic life of the world on national rather than on international lines. Reconstruction on an international basis is too great a task in the present state of mind of the world.

America is moving with the rest of the world.

This cannot be said, however, of her enthusiasm for what may be called an expansionist, if not as yet an inflationist, policy. Here she has parted company with most European countries, notably with Great Britain. The President intends to resuscitate the nation's economic life partly by the injection of large doses of government capital for the development of public works and the reduction of unemployment. This is being tried in Germany and has been tried to a limited extent in England, but the British Government now considers it unduly expensive.

consider the recent boom in stocks and commodities as partly—nobody can tell to what extent—an expression of the fear of inflation.

It is this aspect of the American experiment which causes most misgivings. While it is agreed that controlled inflation to raise and maintain prices is theoretically possible, the experience of European governments does not inspire confidence in its political practicability. Seldom, if ever, has a great nation deliberately embarked upon inflation, as America will do if it devalues the dollar. Other States have inflated because it was difficult to avoid; America, if she did so, would inflate—as she left the

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thought which made mass production possible. If this view were correct, the possibility of a more highly centralized and coordinated industrial system, even under greatly extended State control, need not be dismissed as being wholly alien to the American temperament.

IN Russia, perhaps the most notable example of a thoroughly collectivist State, an economic ideal was imposed upon a nation and its whole scheme of life and government was adapted to the achievement of an economic revolution. It was not a question of State intervention in industry, for industry is directly managed and financed by the State. It was not a question of the "flame of individual liberty" being endangered by an economic program, for it was ruthlessly extinguished before the economic effort was even begun. The Russian Communist has no more interest in freedom than Mussolini has. Art, education, recreation—every aspect of life is not merely subordinated to the economic aim, but made to serve it. There is no place for liberty of any kind. The State is not the supervisor of economic guilds but itself a sort of all-embracing guild—the only economic or political authority, the only source of initiative.

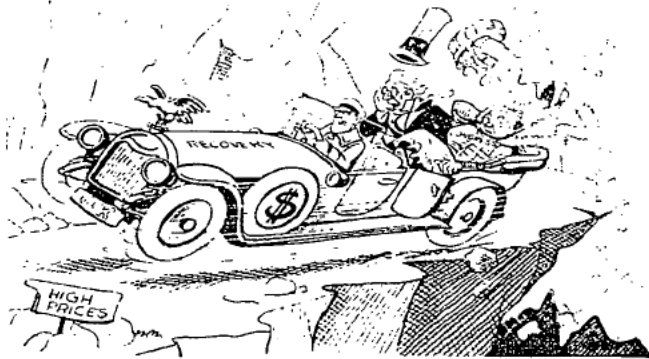
Russia, unlike America, could build almost from the ground up. The Communists did not take over an industrial nation and reorganize it to suit their principles. They captured power over a backward agricultural nation and sought to reconstruct and industrialize it on modern, mechanical lines within a few years. Their ideal, from a technical point of view, was America in its prosperous overproductive days. They wanted to Taylorize and Fordize Russia, with the State as the only capitalist and employer. They wanted to utilize the applied science of the most advanced capitalist country for the creation of a Communist commonwealth. They wanted the industrial advantages of America without what they considered its social disadvantages. They had no fear of destroying such an individualistic culture as Europe prizes; they meant to create their own culture—a culture adapted to a highly mechanized and regimented community.

IN Italy, on the other hand, the present State, with its elaborate machinery for the curtailment of freedom and the discipline of an entire nation, came into existence in pursuance not primarily of an economic ideal but of a political ideal. Fascism repudiated the Socialist doctrine of economic determinism, as it repudiated the liberal principles of democracy. It exalts, as Mussolini puts it, "actions influenced by no economic motive, direct or indirect." It stands for the absolute State and the subordination of the individual. Its economic program was rather an incidental result than the principal goal of a sweeping revolution. Where the Russians sought to build a State in conformity with a dominant economic ideal, Italian fascism—a reaction from socialism—first created a State befitting its disciplinarian political aspirations and then extended its dominion to the economic field.

Since its mission was to uproot socialism, fascism was obliged to supply an alternative solution of the economic problem. It did so on lines which some would call decidedly Socialistic, for the State and the political party which rules it completely dominate the economic life of the country.

This is done through what is called the "corporative" or guild organization. The trade unions and employers' organizations were legally recognized and formed the units of producers of which the "corporative" State is composed. In every province those engaged in each trade are grouped in syndicates.

If Our Planned-Economy Program Succeeds, Other Nations May Try Similar Methods



From The Daily Express, London.

AN ENGLISH COMMENT ON "THE PROSPERITY DRIVE."
The Occupants: "I S-Sup-pose the B-Brakes Are Strong, F-Franklin?"
Roosevelt: "Can't Say, Sam. Never Driven This Car Before."

These syndicates unite in national syndicates and federations representing employers and employees; finally, there are twelve confederations, six of employers and six of employees, covering the six broad divisions of economic activity—industry, commerce, agriculture, banking, internal transport and sea and air transport. At the apex is the National Council of Corporations, representing the confederations of employers and employees and also the government. Strikes are illegal.

The National Council's chief function is that of "regulating and perfecting production." But it acts only with the approval of the State. The government controls the syndicates, appoints and dismisses their officials, decides wage disputes. The Prime Minister has the power of veto over all decisions of the National Council. The guilds, as they are called, have no independent existence, but are in effect organs of the State.

GERMANY under its new régime has not yet gone so far in its organization of industry, but it is headed in a similar direction. In Germany, as in Italy, the nationalist revolution was not chiefly an economic movement, and its economic aims have been slow in crystallizing. It represented rather an emotional force which embraced the economic life of the nation because it embraced everything.

German fascism, like Italian, proclaimed a moral regeneration of a nation, of which economic reform was an incidental part. Like Italian fascism, its professed purpose was to save the country from communism and "Marxism." But, unlike

its Italian precursor, it called itself a Socialist movement and its economic tenets, so far as they were defined, included nationalization of banks and large industry.

The Nazi government has seized the trade unions, made them powerless and established agents of its own to fix wages and working conditions. Employers and employees in all trades and professions are to be amalgamated in a corporative "labor front," which will be all-embracing and serve as the beginning of some such State-directed economic system as that in Italy. It is so far undecided to what extent large-scale industries will be socialized or dissolved into small units; but it seems likely that small and moderate-sized enterprises will continue under private management and ownership while being subject to strict State supervision through some form of guild organization.

The fully developed Nazi State probably will impose upon industry a rigid discipline far more complete than anything President Roosevelt contemplates; for socialism, in the sense of State domination over the individual, is deeply rooted in German tradition, and the Nazis are firmly convinced that the State may change the economic order to suit itself.

THE American experiment differs from all these European ventures in economic reconstruction, as American circumstances and American problems differ from those of Russia, Italy and Germany. It did not grow out of a single accepted vision of a new social order, as the Russian effort did. It may represent an attempt to apply certain theories so far as

they prove workable, but it is not an attempt to remold a nation to fit a theory.

Nor is it inspired, like the economic programs of Italy and Germany, by a half-mystical philosophy of nationalism which places the State first and treats economic problems as merely one phase of an all-encompassing national discipline.

The American venture in planning, daring as it is, is not dictated by fanaticism or dogmatism. It is empirical and seeks highly practical ends. American nationalism is pre-eminently economic.

But an extension of State supervision of industry and trade, and the conception of a better coordinated national economic life, are common to all these undertakings.

WHILE the American Industrial Recovery Act does not authorize any such complete State control as in Russia or Italy or Germany, it is a sufficiently striking departure from the American tradition of individualism and from the historical American conviction that that government is best which governs least.

In this respect it is in line with the tendencies of the times. For it appears more than likely that, as each nation seeks to meet its economic difficulties on a national rather than on an international basis, the sphere of private initiative will be progressively reduced and economic activities in the mass will come more and more under the guidance, if not the dominion, of the State.

It is for these reasons that Europe watches the American experiment with a good deal more than merely academic interest.