

Chapter 18

What Have We Got Here?

FOR the March 4, 1951, issue of *This Week*, a magazine that goes as a supplement to over ten million readers of Sunday newspapers, the editor, William I. Nichols, wrote an article (later reprinted in the *Reader's Digest*) called "Wanted: A New Name for 'Capitalism.'" Arguing that the word is no longer the right one to fit our present American system, because in too many people's minds, especially in other parts of the world, "it stands for the primitive economic system of the nineteenth century," Mr. Nichols asked: "How shall we describe this system—imperfect, but always improving, and always capable of further improvement—where men move forward together, working together, building together, producing always more and more, and sharing together the rewards of their increased production?" He said he had heard various suggestions, such as "the new capitalism," "democratic capitalism," "economic democracy," "industrial democracy," "distributism," "mutualism," and "productivism," but wondered if there might not be a better term. And he invited readers to write in their own suggestions in a coupon printed in the magazine.

Fifteen thousand coupons came back with suggestions. "Never in my whole editorial experience," said Mr. Nichols afterward, "have I touched so live a nerve."

Perhaps one reason for this extraordinary response was that the idea of asking readers to do something simple and easy about an idea

thrown at them—"as if it were a box-top contest," as Mr. Nichols said—was an apt journalistic stroke. But surely it also suggested the existence in the United States of a very widespread feeling that we've got something here—something working reasonably well and at any rate going full tilt—that defies all the old labels.

And I suspect that one reason why so many people feel this way is that here in the United States we have not been constructing a system as such, but tinkering with and repairing and rebuilding, piece by piece, an old system to make it run better, as I tried to suggest in the chapter on "The Revolt of the American Conscience"; and that accordingly we have arrived at a transformed product which might be likened to an automobile continually repaired, while running, by means of new parts taken from any old car which seemed to suit the immediate purpose of the repairers, with the result that in the end it is hard to say whether what we have is a Buick or a Cadillac or a Ford.

In the various chapters of this book I have tried to show how this patchwork process has taken place. In the nineteenth century we had in the United States a combination of federal and state and local governments—the federal component being small and very limited in its duties—which left business to operate pretty much as it pleased. But these governments permitted businessmen to organize corporations which were given special rights and privileges, and while these rights and privileges worked wonderfully in providing incentives for men to build up lively and inventive businesses, they had other unforeseen effects. They made the lone workman, whose income was determined by the Iron Law of Wages, pretty nearly helpless before his employer; they gave an enormous share of the fruits of the enterprise to this employer; and they also gave huge power to the men who controlled the supplies of money without which the employers found it difficult to operate. At the turn of the century America seemed in danger of becoming a land in which the millionaires had more and more and the rest had less and less, and where a few financiers had a strangle hold, not only on the country's economic apparatus, but on its political apparatus too.

This outraged the democratic spirit of the country, the national sense of fair play. So we went to work to change things—not by revolution but by a series of experimental revisions of the system. When it broke down badly in the Great Depression the repair work and reconstruction were pretty drastic, and some was foolish, but the same basic principle of unrevolutionary and experimental change prevailed. After some years of this there was considerable uncertainty whether the engine would ever run again without wheezing and knocking. But when World War II came along, we discovered that if Washington jammed the accelerator right down to the floor boards the engine began to run smoothly and fast. And when the war was over, and Washington released the accelerator, it still hummed. What had happened to bring about this astonishing result?

The answer, in brief, is that through a combination of patchwork revisions of the system—tax laws, minimum wage laws, subsidies and guarantees and regulations of various sorts, plus labor union pressures and new management attitudes—we had repealed the Iron Law of Wages. We had brought about a virtually automatic redistribution of income from the well-to-do to the less well-to-do. And this did not stall the machine but actually stepped up its power. Just as an individual business seemed to run best when it plowed part of its profits into improvements, so the business system as a whole seemed to run better if you plowed some of the national income into improvements in the income and status of the lower income groups, enabling them to buy more goods and thus to expand the market for everybody. We had discovered a new frontier to open up: the purchasing power of the poor.

That, it seems to me, is the essence of the Great American Discovery. And it has its corollary: that if you thus bring advantages to a great lot of previously underprivileged people, they will rise to their opportunities and, by and large, will become responsible citizens.

II

At present we have a very large and powerful central government. It continues to expand as if in response to some irresistible law of

growth—not only because of the obligations which war and Cold War have imposed upon it, but because of our increasing interdependence as a more and more urbanized people with more and more complex institutions. The government regulates business in innumerable ways, as we saw in Chapter 16. It constantly interferes with the operations of the once almighty economic law of supply and demand, the law of the market place. It provides all sorts of subsidies and guarantees to groups who have convinced it, rightly or wrongly, that they need such help. And furthermore it acknowledges two great responsibilities, the recognition of which was forced upon it during the miserable years of the Great Depression. One of these is a responsibility for seeing that people in an economic jam are helped to their feet—if not by their relatives and friends, or by local relief, or by state relief, then by federal relief if necessary. And the other is a responsibility for seeing that the economic system as a whole does not break down.

The government therefore maintains certain control powers over the national economy *as a whole*; and in a time of emergency like that which has followed the onset of the Korean War, these powers are extended. But it does not try to run our individual businesses (with certain exceptions such as the atomic power industry, which for security purposes is an island of socialism in a sea of private management). For we recognize that our businesses are better run if they remain in private hands. The past dozen years or so have offered a triumphant demonstration of the validity of this belief. For they have seen privately managed American business not only do a brilliant job of huge-scale war production, but also foster a startling variety of advances in technology.

Nor, for that matter, does the federal government take over the power of our state and local governments, though it subsidizes them to do many things which they cannot adequately do unaided. So there is a wide distribution of governmental powers. Our road system, for instance, is part local, part state, and only in minor degree federal. Our university and college system is partly state run, partly inde-

pendent. And our school system is mostly locally run (by local public authority), partly church run, partly independent.

Furthermore we have an extraordinarily wide and proliferating assortment of voluntary institutions, associations, and societies which in their manifold ways contribute to the public good. Not only universities, schools, churches, hospitals, museums, libraries, and social agencies in great variety, but also societies for the protection or promotion of practically everything: if you want to feed European children, or protect our wild ducks, or promote zoning systems, or agitate for more freedom for corporations, or extend church work, or make boys into Boy Scouts, or save the redwoods, you will find a private organization dedicated to this purpose, and sometimes there will be several of them. There are also the foundations, offspring of idealism and the estate tax. And an endless range of trade associations, professional associations, alumni and alumnae associations, service clubs, and lodges. As a people we are great joiners, campaigners, and voluntary group helpers and savers and reformers and improvers and promoters. Get together half a dozen like-minded Americans and pretty soon you'll have an association, an executive secretary, a national program, and a fund-raising campaign.

Nor is it easy to draw a sharp line between the voluntary organizations on the one hand and either business or the government on the other. When a good part of the money contributed in a Community Chest campaign comes from local corporations, and a mighty foundation draws its resources from an automobile company, and the private air lines fly over airways maintained by the federal government, and a university may be partly state-supported and partly privately supported (and in addition may be subsidized for certain research work by the federal government), the lines are blurred indeed. And as we saw in Chapter 16, there is constant consultation and collaboration between people who are working on the same problem in private business, in private public-service organizations, in the government, and in state and private institutions of learning.

Under such circumstances it is fair to say that the moral and intellectual strength of the United States is based in considerable

degree upon private organizations which are as consecrated to the idea of public duty as governmental ones could be, and in part perform services almost indistinguishable from governmental ones, but provide at the same time vastly more diversity and flexibility of approach, and vastly more opportunity for the free play of individual talent and interest, than could be harnessed in any other way. And that the American system as a whole is such a mixture of different things, arrived at in such diverse, unsystematic, and even haphazard ways, that possibly its strength lies in the very fact that you can't put a label to it.

Over every proposal for a further change in the complicated design of the national economic machine there is hot argument. Will this measure undermine the incentive to work and save and invest and invent? Will it give tyrannical power to Washington? Does this group of people, or this industry, really need aid? Can the government afford it? Does it set a good or a bad precedent? People can get apoplectic over such issues—and no wonder, for the development of this new American system is highly experimental, and we don't know whether we can continue to make it work.

Take a look at a few of the uncertainties.

During the postwar years inflation, though never acute, has been almost uninterrupted, and in sum has been a serious menace to our economic health. We don't know whether we can maintain our fast pace without continuing inflation.

Even before the Korean war we had pretty nearly reached the limit of taxation—the limit beyond which the burden would become so intolerable that the incentive to produce would be weakened and tax evasion would become a monumental rather than a minor problem. We don't know whether we can reduce this load or increase our productivity fast enough to take care of it.

If the Soviets should change their policy so convincingly that we could ease up on military expenditures, we don't know whether we could step up domestic production fast enough to prevent a depression.

If total war should come, we don't know whether the federal debt would become so astronomical that the credit of the federal government would be shaken.

In any case, we don't know whether the government has taken on so many financial responsibilities, since it added to its own previous authority much of the authority once exercised by Wall Street, that there is not a danger of a new kind of panic and financial collapse at some time in the future—a panic resulting from the inability, not of private financiers, but of public financiers, to maintain the values they have undertaken to guarantee. We think we know a great deal more about economics than we did a generation ago, but we cannot be surer that we are living in a New Era than were the moguls of Wall Street who cherished that innocent faith in 1929.

And in addition, we don't know at exactly what point a policy of aid to disadvantaged men and women degenerates into a demoralizing policy of handouts to people who would rather accept federal bounties than extend themselves. Some are sure we have already crossed this line; others are sure we haven't.

So it is just as well that every time we tinker with this experimental system there should be energetic and protracted debate.

But the fury of our political campaigns, and the angry disputes over this or that congressional bill, detract our attention from a remarkable fact: that despite the purple language which is tossed about, very few Americans seriously propose any *really wholesale* change in our evolving American system. (And at that, our stormiest debates in recent years have not been over domestic policy but over foreign policy, or over the supposed influence of American Communists and their friends and alleged friends over foreign policy.) There is a large amount of antipathy to the administration in power in Washington. There are numerous people who would like to curb federal power, repeal various laws now on the books, pare down the bureaucracy, minimize relief. There are others who want the government to take on new labors and new powers, like that of running a great medical insurance program. Yet the vast majority of Americans agree that the government should continue to accept an overall

responsibility for the satisfactory operation of the national economy; that it should continue to accept responsibility for relief when necessary; that it should supervise and regulate business to *some* extent; that it should subsidize and guarantee various groups to *some* extent—but that it should keep its intervention limited, and should let the great bulk of business remain under private management. The seething debate is over how much of this and how much of that we need, but the area of virtual agreement is very wide; and this includes letting private business remain in private hands.

For we believe we have demonstrated that business can be far more resourcefully and ingeniously run by private managers; and furthermore that these private managers can run most if not all of it with such consideration for the general public welfare that they can achieve for us all that government ownership would bring, plus the efficiency, flexibility, and adventurousness which government ownership would jeopardize—and without the danger of tyranny that government ownership might invite.

In short, there is subconscious agreement among the vast majority of Americans that the United States is not evolving *toward* socialism, but *past* socialism.

III

I say subconscious agreement because in our conscious thought most of us still seem to be the victims of an old idea that has become a delusion. This is the idea that there is in the world a sort of inevitable trend of progress toward socialism; that people who want the government to do more than it is doing are therefore liberal (if they are polite about it) or radical (if they are aggressive about it); and that people who want the management of business to remain in private hands are therefore conservative (if polite) or reactionary (if aggressive).

Historically there has been ample warrant for this picture of the political spectrum. During the past century or so the principal political changes have been in the direction of getting the government to do more and more for what was thought to be the common weal; and the

people who didn't want the government to act, who wanted to dig their heels in and stop it from acting, were rightly known as conservatives. By contrast the people who went whole hog for government intervention, to the point of wanting the government to take over the ownership and operation of the principal private industries, in short the Socialists, were rightly known as radicals; and those who wanted it to take over virtually everything, by violent revolution if necessary, in short the Communists, were rightly known as extreme radicals. But now the United States has been demonstrating pretty convincingly that the system that works best of all, combining most of the genuine advantages of governmental responsibility and of private initiative, and avoiding the disadvantages of each, is one in which governmental intervention is limited and private industry and private associations have a great degree of freedom; and also that one of the mightiest advantages of this system is the way in which it diffuses very widely the decision-making power and the opportunities that go with it. In short, that the direction of progress is now different from what people had supposed it was.

Yet the delusion persists that the trend of the times is toward socialism—and perhaps even toward communism. Though our production, our wealth, our standard of living are the wonder of the world; though Britain under Socialist leadership had to come to us for financial aid; though, as Isabel Lundberg wrote in 1947, we are in a position to offer tangible goods and expert technological services to nations to whom the Russians, for all their loud talk of material benefits, could not offer so much as a shoelace; though our evolved system is potentially the most revolutionary force on earth, nevertheless so fixed in our minds is this delusion that when we face foreign problems we instinctively consider ourselves the natural allies of conservatism, and we tend to behave as if we wanted to stifle the natural hopes of mankind for a decenter way of life. Instinctively we set our faces against change. And preposterously we think of Soviet Russia—which has submerged the historic Communist aim of a better life for the masses of people in an aim of national aggrandizement through barbaric means—as if it and its allied zealots and dupes

represented radicalism, represented a disposition of things toward which we ourselves might drift if we did not hold fast against change; as if Soviet Russia were something other than a despotic medievalism which was developed out of a revolutionary attempt to meet the problems of the nineteenth century—problems which we ourselves have long since surmounted.

It is time we rid ourselves of this notion about Russia. It is time we realize that when we battle against communism, we are battling against the past, not against the future. It is time, too, we rid ourselves of the notion that the direction of change at home is toward socialism or communism, and that therefore loyal Americans must stand pat. This notion is a stultifying force in our life. It causes well-meaning people to imagine that anyone with unorthodox ideas must be suspect of subversive intent. It tends to cramp men's imaginations into a timid conformity. It tends to constrict our generous impulses as a people. Combined with the fear of large-scale war, and especially of atomic war, it eats away at our bold confidence in ourselves and our destiny.

We would do better to put it out of our minds, and to realize that our sobering position of leadership in the world is founded upon the fact that we have not stood still. The story of the changes in the contours of American life that we have hammered out in the first half of this twentieth century, is a triumphant story, however harsh may have been some of our experiences in the interim and however obscure may be the shape of the future. We would do well to think of our accomplishment thus far as but the preface to what we may accomplish in the second half of the century if we can continue to invent, improve, and change—and can keep a good heart. The courageous nation, like the courageous man, is not unhappy at the thought of dangers beside the road ahead, but welcomes them as challenges to be faced and overwhelmed along an adventurous course.

Appendix

Sources and Obligations

This book grew out of an article entitled "The Big Change" which I wrote in the spring of 1950 for the Centennial Number of *Harper's Magazine*, published in October, 1950; which in turn drew upon the text of a talk I had given on "Social Changes of Our Time" before the Pennsylvania Historical Society on February 4, 1949, which was printed in *The Pennsylvania Magazine of History and Biography*, April, 1949. My Centennial article dealt with the changes in the United States between 1850 and 1950, with special attention to the distribution of wealth and opportunity; after it appeared, I decided to develop this theme in book form, but to concentrate upon the period between 1900 and 1950, which offered, it seemed to me, a more significant contrast than did the longer period.

While I was at work on the book I found that a number of other people were laboring in more or less the same vineyard. There was, for example, Lewis Galantière, who had written a fine article on "America Today" for the July, 1950, issue of *Foreign Affairs*, sketching the difference between the contemporary United States and European impressions of it. (This article was later printed in pamphlet form by the Overbrook Press, Stamford, Connecticut.) Mr. Galantière did much of the preliminary spadework for a Round Table Discussion on the Elements of a Free, Dynamic Society which was sponsored by the Advertising Council, Inc., and was held under the chairmanship of Paul G. Hoffman at the Waldorf-Astoria Hotel in New York on April 16, 1951. The various participants in that conference, especially Peter F. Drucker, who produced the principal paper for it, seemed to me to see the evolution of present-day America from points of view somewhat like mine. And so did Russell Davenport and the editors

of *Fortune*, who in the February, 1951, issue of that magazine and then in a book called *U.S.A., The Permanent Revolution* (Prentice-Hall, 1951) played the changes on themes parallel to those of *The Big Change*. To all these people I am indebted for ideas which fitted so well with those I was putting on paper that I could not always be sure when I was appropriating what they had thought of first and when I was on my own.

I am indebted, too, to a number of colleagues at Harper & Brothers who have produced material for me, or suggested leads to follow, or have read and criticized my manuscript in early drafts, or have otherwise helped me: notably John Fischer, Eric Larrabee, Cass Canfield, Ordway Tead, John A. Kouwenhoven, Russell Lynes, Rose Daly, and Waldo W. Sellow. Others whose help I should particularly like to acknowledge—without involving them in responsibility for the results—are Donald K. David, Richardson Wood, John Bartlow Martin, William McNear Rand, Leo Wolman, Walter White, Robert L. Heilbroner, Carroll Wilson, and Wayne Andrews. I owe a bow to the staff of Facts, Inc., of New York, an organization which is a researcher's delight in checking information; to Theodore Bolton, the helpful librarian of the Century Association; and especially to Ralph A. Beals, Rollin Alger Sawyer, and numerous other members of the indefatigable staff of the New York Public Library. My thanks go also to my sister, Hildegard Allen, who provided me with several useful sources on the 1900 period; my son, Oliver Ellsworth Allen, for aid at many points; and above all my wife, Agnes Rogers Allen, not only for general aid and comfort but for a great deal of material, a variety of suggestions, and illuminating page-by-page criticism.

This is an inadequately partial list of those to whom I am indebted; if I tried to make it complete it would be interminable.

In my previous books I have listed, chapter by chapter, the precise sources of facts which I thought serious scholars and other writers might question or for any reason want to track down. Since *The Big Change* is primarily a summary, arrangement, analysis, and interpretation of reasonably familiar data rather than a journey of historical exploration, and since I have indicated in the text the sources for some specific facts which might be subject to challenge, it seems unnecessary to do this here. But I should like to pay my respects to certain books and documents which I have found particularly helpful:

William Allen White's *Autobiography* (Macmillan, 1946) for its insights into politics at the turn of the century and later, and especially into

the movement which I have called "The Revolt of the American Conscience."

The five volumes of Mark Sullivan's *Our Times* (Scribner) and especially the first three of them (published in 1926, 1927, and 1930 respectively) for varied sidelights on American life in the early years of the century.

Clyde Brion Davis's *The Age of Indiscretion* (Lippincott, 1950) for its brisk account of life in a Missouri town at the beginning of the century.

Oscar Handlin's *This Was America* (Harvard University Press, 1949) for its collection of foreigners' impressions of the American scene.

Robert Hunter's *Poverty* (Macmillan, 1904) for its conscientious study of life on "The Other Side of the Tracks."

Two books edited by Robert A. Woods, *The City Wilderness* (Houghton Mifflin, 1898) and *Americans in Process* (Houghton Mifflin, 1902), for their detailed and thoughtful examination of Boston slum life in those years.

A group of classics of economic and social analysis and measurement of the intermediate period: *Recent Economic Changes* (McGraw-Hill, 1929) and *Recent Social Trends* (McGraw-Hill, 1933); *Middletown and Middletown in Transition*, by Robert S. Lynd and Helen Merrell Lynd (Harcourt Brace, 1929 and 1937 respectively); and *America's Capacity to Consume*, by Maurice Leven, Harold G. Moulton, and Clark Warburton (Brookings Institution, 1934). And also the subsequent volume, *America's Needs and Resources*, by J. Frederick Dewhurst and associates (Twentieth Century Fund, 1947).

Gunnar Myrdal's *An American Dilemma* (Harper, 1944) for its searching discussion of the position and predicament of the Negro.

Van Wyck Brooks's *The Confident Years, 1885-1915* (Dutton, 1952) for its fresh interpretation of trends in literary thought, including those after 1915.

Twentieth Century Unlimited, edited by Bruce Bliven (Lippincott, 1950), for its collection of studies of developments in various sectors of American life, especially the arts.

Low-Income Families and Economic Stability. Materials on the Problem of Low-Income Families. Assembled by the subcommittee on low-income families. Joint Committee on the Economic Report. 81st Congress, 1st session. I have drawn heavily on this document for my analysis of poverty at the mid-century at the beginning of Chapter 15.

And *Shares of Upper Income Groups in Income and Savings*, by Simon Kuznets. Occasional Paper 35 of the National Bureau of Economic Research, Inc. I have drawn on this document for my analysis of wealth's slice in the pie, in the same chapter.

I should also like to mention the reports of the President's Council of Economic Advisers for recent years; the successive British Productivity Reports, some of which are highly illuminating; successive volumes of the *World Almanac*, the figures in which often turn up interesting clues to what has been happening; and, finally, the 1949 edition of *The United States Since 1865*, by Louis M. Hacker and Benjamin B. Kendrick (Appleton-Century-Crofts, Inc.), which I have used for constant reference on the standard data of American history during the 1900-1950 period.

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