

The Prospect of Peace Begins to Give Wall Street The Jitters

Why the Stock Market Sags in New York, Rises in London

The New York stock market opened last week by hitting the lowest level in five weeks. Arms issues, especially aviation, and steel were hardest hit. The *New York Journal of Commerce* last Tuesday in a front page editorial began to discuss the "major repercussions" to be expected from "further abatement of the cold war." It noted that "initial cuts in defense spending" by the Eisenhower Administration had "contributed to the business recession of 1953-54." The financial organ speculated that "much sharper reduction in taxes might become feasible as an offset to further armament cuts if the Austrian treaty 'is followed by the settlement of other outstanding disputes with the Russians.'"

One cause for worry is the international balance of payments. The "dollar gap" between what the U. S. sells abroad and what it buys has been chronic since the early years of World War I. Other countries have been able to buy more from us than we buy from them—but only because we found ways to lend or give them dollars with which to do the buying. Last year's gap of almost 5 billions was filled by 4.7 billions in military aid and other grants. What happens if tension is reduced? Since 1915 U. S. loans or grants to carry on war, then to clear up the damage, and then to prepare for a new war have financed U. S. exports. How will exports be maintained if the world is stabilized? The big upcoming question: can we learn to spend and invest for peace on as large a scale as we have for war?

Even Steel Rose in Britain

While the New York stock market opened weak, the London market opened strong. "Russia's agreement to a four power meeting," a London financial cable to the *New York Times* reported last Tuesday, "cheered the stock market here today." British government bonds, Dominion and colonial loans, moved upward. So did German and Japanese bonds, along with Czech and Hungarian issues. Steel, engineering and store shares rose.

This contrast between the New York and London stock markets is striking. Every time hopes of a settlement appear, the New York market sags, the London market rises. Perhaps one reason is that we are rich enough to face with equanimity the prospect of priming the pump of business by

Victory for Civil Liberties

The best news on the home front since we last went to press was the passage of S. Res. 94 by the Senate. It was approved by a voice vote, with no opposition other than a rather querulous inquiry from the economy-minded Ellender of Louisiana. The resolution authorizes a Senate Judiciary subcommittee to spend \$50,000 between now and next January 31 on an investigation of civil liberties. This will be the first time since the pre-war LaFollette committee that either house of Congress has acted to defend basic rights. The subcommittee will be made up of Hennings (D. Mo.), Langer (Rep. N.D.) and O'Mahoney (D. Wyo.).

It looks as if the Hennings subcommittee may be the only inquiry of its kind at this session. Much was hoped for from the investigation promised by Senator Johnston (D. S. C.) into the security program and the "numbers game" played by the Eisenhower Administration with figures on risk discharges. The Senate on February 21 passed S. Res. 20 and appropriated \$125,000 for "a full and complete study." A Senate Post-office and Civil Service subcommittee of Johnston, Neely (D. W. Va.) and Carlson (R. Kans.) was set up and retained former Senator Gillette as special counsel. But justifiably or not the impression has spread on Capitol Hill that this inquiry may peter out. Testimony on the Commerce Department budget just released by the House Appropriations Committee shows how badly civil servants and others subject to clearance need a champion. The hearings disclosed that of 85 "security separations" at Commerce in 1954 only two were cases in which the employee was told the charges against him.

a perpetual cycle of war, catastrophe, reconstruction, a new arms race and then war again. The European capitalist powers impoverished by two world wars cannot afford to purchase "prosperity" at the price of a third.

Foreshadowing the Russian Proposals for Atomic Inspection and Control

The new Russian proposals for solving the problem of atomic inspection and control resemble those suggested over a year ago by James R. Newman, counsel to the McMahon committee in the framing of our Atomic Energy Act. In a letter to the *Washington Post* published January 9, 1954, (the salient portions were reprinted at the time in Vol. II, No. 1 of this *Weekly*) Newman wrote:

"It is commonly supposed that the operation of an effective inspection system entails almost insurmountable difficulties. It is assumed, for example, that a very large inspectorate would be needed for each country that would seriously hamper the conduct of internal affairs—government and private. These assumptions are unjustified.

"The several inspectorates need not be large. A small group of inspectors at key points can keep major production activities under surveillance. It is not important to know everything; it is important only to know important things. It is important to know if a country is mobilizing.

"If an international agreement fixes levels of armaments production . . . these levels will be reflected in certain critical indices: steel and aluminum production, the use of electric power, shipbuilding, mining of strategic metals, the manufacture of machine tools, airframes, jet and internal combustion engines, electronics equipment.

"Any significant departure from agreed-upon levels of production can be detected. It is unnecessary to keep every

mine and factory under observation. The economy of a large industrial nation is so integrated, its parts are so interdependent, that a sharp increase in rate of output at one point is visible at every point. The inspectors need not concern themselves over leaks; their task is to watch for floods. War mobilization is a flood. The notion of hidden preparation for a major war is absurd.

"There are three essentials to keep in mind. First, both conventional and atomic weapons are needed to wage war. Second, small-scale illegal production of weapons in either category is pointless as a preparatory measure; simply not worth the risk of detection. Third, illegal manufacture of fissionables is no more difficult to detect than illegal manufacture of any other item requiring a large industrial effort."

The *Washington Post* in an editorial (May 13) noted the resemblance of the new Russian proposals to those in the Newman letter and said the Soviet plan "seems to acknowledge that what is important in this stage of the nuclear race is an effective alarm system . . . a nation intending to launch a war would have to assemble weapons and planes and manpower on a large scale. Inspection of bases, ports and highway and railway junctions might provide a key, not to control, but to advance warning of hostile intentions. Russia's proposal seems to go a considerable distance in recognizing the need for this kind of inspection."

That Past Connection With The Ku Klux Klan May Prove Politically Fatal**The Fight Against Wood's Nomination to the SACB**

The fight to prevent the confirmation of John S. Wood to the Subversive Activities Control Board would ordinarily be hopeless, since he has the backing of both Senators from his home state of Georgia, the powerful George and Russell. Congressional courtesy works in favor of a former Congressman like Wood, a lame duck in need of a job. As long time chairman of the House Un-American Activities Committee, he is—from the standpoint of the Justice Department, the FBI and the right generally—admirably suited for the Board. The Board has from the beginning been a dumping ground for lame ducks and witch hunters. The only liberal appointment, that of former Congressman Charles La Follette of Indiana, failed of confirmation; the maverick Cain would never have been confirmed if there had been the slightest suspicion that he would develop qualms and courage, a sense of perspective and a capacity for independence. It would be naive to suppose that Wood's witch hunt past was anything but a recommendation.

There is but one possible way to block the nomination. This lies in the opposition of the National Association for the Advancement of Colored Peoples. The NAACP did not appear at the hearing on Wood's nomination, a one-man Judiciary subcommittee affair before Senator Watkins. The only two witnesses were Royal W. France for the Emergency Civil Liberties Committee and William L. Patterson for the Civil Rights Congress. Both relied heavily on unverified charges from Georgia that Wood was a member of the Ku Klux Klan, and these drew from Wood an admission that in the 20's he paid an initiation fee and went to a meeting. Wood claims that he withdrew when he learned the Klan was committed to violence! This is enough for the NAACP; obviously Wood is no Hugo Black. There may be hesitation in the Senate at the prospect of offending the Negro voter. This is the slim chance, and even this will be of little avail without some public pressure.

Klan Charges Unproven

There is no proof that Wood is a Klansman or that he did not tell the truth, and no good will be done by intemperate overstatement on this score. But there is a powerful avenue of attack open for some Senator with the nerve to use it. And that lies in the way Brownell has handled the Klan charge. The Attorney General received a letter last March 7 (from a fellow Republican at that) saying that he ought to know—"I have been reliably informed that ex-Congressman Wood was not only a member of the Klan, but was one of the leaders of that organization in his community." The letter was signed by John Wesley Dobbs, vice chairman of the Republican State Central Committee of Georgia. Mr. Dobbs is a respected Negro business man. His letter was supported by the NAACP, which wrote Brownell to ask that these charges be investigated before Wood was confirmed. The NAACP letter was acknowledged by Deputy Attorney General William P. Rogers, but no report was made to the Judiciary committee and there is no indication that Brownell did anything about this.

Considering the lengths to which the government goes in prying far back into the private lives of file clerks and postal

carriers, this yawning disinterest in Wood's background is instructive, if not surprising. This is not a matter of "loyalty"—the SACB job requires Senate confirmation and in such cases the Justice Department is supposed fully to investigate the appointee's character and background. The Klan is on the Attorney General's subversive list, and it is easy to imagine how differently he would have reacted if someone charged that Wood was a Communist, or even that he had once bought insurance from the International Workers Order. The Justice Department and the Judiciary committee would not be satisfied to take Wood's explanation at face value—nor would Wood himself if the roles were reversed and he as chairman of the House committee were presiding over a hearing at which someone else was accused of having belonged to a subversive organization. This is worth rubbing home, and since it might pay off politically in Negro votes some Northern Democratic Senator might get up the nerve to air it on the Senate floor.

SACB Aimed Only at Leftists

As a matter of public education, another point is worth airing in this fight. Some people are using the argument that Wood might have to pass on the Klan itself as a subversive organization. There is no danger of this. The Internal Security Act was too well drafted by the Chamber of Commerce master minds who sold it to Mundt, Ferguson, Nixon, McCarran and finally Congress. The sanctions of the act—registration, refusal of passports, denial of government and defense employment—apply only to persons adjudged Communist members or frontiers. None of these sanctions apply to Fascists or racists. In this sense the SACB is quite different from the Attorney General's list which includes rightist as well as leftist organizations. Section 4 (a) of the Internal Security Act is the only part which might affect rightists; this makes it a crime to do anything which might contribute to the establishment of a totalitarian dictatorship in this country—but only if the totalitarianism is under foreign control. The Klan as a native home-grown affair would not be subject to prosecution under this provision.

It is important to make the public realize that the Internal Security Act is not aimed at "subversives" generally in the sense that it might also proscribe native Fascists or racists. The Act was aimed only at the Left—and now thanks to the Morse-Humphrey-Douglas amendment of last August it is loose and vague enough easily to encompass the mildest liberals, from One Worlders to ADA-ers. Whether Wood was a Klansman, whether he is telling the truth, whether he did indeed as he claims take some steps against the Klan while heading the House committee, all these matters deserve full investigation and not just the brush-off Brownell gave them. But the truth is that a lame-duck witch hunter like Wood, fresh from the kangaroo court of the House committee, is ideally suited to the SACB. This authoritarian style court for labelling dangerous thoughts, and setting up an American political *index expurgatorius* is completely at variance with the ideals of a free society and the campaign against Wood ought to nurture no illusions about the SACB itself.

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With many thanks,

I. F. Stone