

Wanted—A Policy

ALL roads at Washington passing through administrative difficulties and delays lead at last to one terminal—to the one organic change without which all mechanical props, such as the summoning of a Great Man spectacularly to build a Great Fleet, are soon seen to be actually fresh impairments of harmony and fresh impediments to convenience and dispatch.

During the last month one of our chief administrative difficulties and delays, one of our chief administrative emotional disturbances, has circled about the prices of our primary industrial commodities—steel, copper, lumber, oil, coal, and the like. Our industrial magnates, in the very midst of their sanctification by the official hands which have conferred upon them the total management of our most moral enterprise, the Red Cross, have been morally devastated by thunderings and lightnings equally official against the quality of their “patriotism” in the prices of the supplies desired by the government for the conduct of the war. Why?

It cannot be because the government lacks the legal physical power to protect itself against exactions. The act of June 30th, 1916, authorizes it to proceed to any producer and to address him in the terms following: “You are capable of producing a thing I want. You will produce it. You may find it necessary to remodel your plant. You will remodel it. You may find it necessary to abandon your other customers. You will abandon them. You will produce for me, and for me alone, if I tell you to, and, finally, you will produce at a price that I shall fix. The act says that it shall be a price ‘just and fair.’ But the act says also that I am the judge of fairness and the judge of justness. The product you make is mine and the price you get is mine. And if you raise your hand to thwart me, I will punish you. I will punish you by fining you \$50,000. I will punish you by jailing you for three years. And I will punish you by taking your plant away from you and by hiring your managers and engineers and workmen to labor for me instead of for you. You will be out (that is, out of your plant but not out of jail), and I will be in, and I will then pay you nothing but a ‘rental,’ a ‘just and fair’ rental, fixed by me.”

If a government so circumstanced gives it out that its pockets are being pathetically picked, if a man armed with a six-cylinder revolver and explosive bullets is seen weeping bitterly in protest against the ruthless attacks of a man armed with

a bank-deposit slip and a calm cold eye, the mind of the spectator leaps instantly to the surmise that the defenselessness of the victim must be due not so much to a lack of outward preparedness as to a lack of inward conscious cohesive purpose; and this surmise, in the case of the government, is more than a surmise; it is a proved fact.

It is proved by the purchases made by our chief purchasers, Mr. Baker and Mr. Daniels. Each of these men is as honest as the other—namely, totally honest, with an honesty most unusually positive and aggressive. Nevertheless the War Department and the Navy Department are sometimes quite strikingly at variance in their views of price, in their views of the method of arriving at a “fair” price, a “just” price. This could not be if the government, as a government, had a known price method, binding on its chief purchasers. The government, as a government, has none.

It is proved by the experience of the coal operators. At one conference, after listening to speeches by Mr. Lane of the Cabinet, and by Mr. Fort of the Federal Trade Commission, they allow their minds to meet as to price. In the next conference, after listening to a speech by Mr. Daniels of the Cabinet and to a set of most particularly forceful speeches by that most particularly forceful person, Mr. Colver of the Federal Trade Commission, they vigorously prevent their minds from meeting as to price. On one occasion they are wafted toward a joint-price and on the next occasion they are red-flagged away from it. This could not be if the government, as a government, had a known price-method, binding on all members of the Cabinet and on all members of the Federal Trade Commission. The government, as a government, has none.

It is proved by the experiences of the business men who constitute the committees of the Council of National Defense and of the Advisory Commission of the Council of National Defense and who do their work as subordinates of the Council and under the eyes of the members of the Council, including Mr. Baker and Mr. Daniels. These business men may be enlightened or unenlightened, patriots or pirates. They remain in Washington at the will of the government and of the Council. As subordinates of the Council, they confer with producers and they report back from producers to the War Department and to the Navy Department. They then sometimes find, as in the case of Mr. Baruch and his latest efforts in copper, that the price which the producers have been per-

suaded to accept is based on a principle utterly unacceptable either to Mr. Baker or to Mr. Daniels. And they continuously find that for being in Washington at the will of the government and of the Council, and for reporting to the War Department and to the Navy Department at the request of the government and of the Council, it is their almost daily duty to be thrown to the lions and devoured on the floor of the Senate by Democratic senators without one word of protest or protection from either Mr. Baker or Mr. Daniels. This could not be if the government, as a government, had a known price-method binding on all members of the Council. The government, as a government, has none.

It is proved by the famous speech on prices addressed by Mr. Wilson to his fellow-countrymen. That speech did indeed reveal one perfectly solid and yet dazzlingly brilliant piece of new policy. "We must make the prices to the public the same as the prices to the government." There shone Mr. Wilson's genius at its brightest of political discernment and declaration. Certainly the private buyers of the United States, when once the government is buying at prices known to be "just," will not contentedly buy at higher prices thereby known to be "unjust." In one sentence Mr. Wilson boldly and conclusively extinguished the hope entertained in many quarters that a commercial favoritism to our relatively few citizens on service in France might patriotically purchase a commercial impoverishment of the mass of our people elsewhere. But when, leaving the political question of price-equality, Mr. Wilson discussed the administrative question of price-method, he struck no flint and shed no light whatever. The words with which he amplified the word "just" were applauded with equal certainty by editors of papers that wish prices to be bottomlessly low and by editors of papers that wish prices to be rooflessly high. Administratively, Mr. Wilson disclosed only a price-aspiration, not a price-method of any sort.

Many sorts exist, in the imagination. There is the "common sense" method. Inquiries into cost, it is held, are endless and fruitless. The market is a sufficient teacher. One morning's study of the recent bulge of the market in previously profitable commodities such as iron ore and pig iron shows when every conceivable allowance has been generously made for every element of increase in the cost of production, the present price still contains a viciously thick margin of indubitable velvet. Take an axe (no other instrument could be so appropriate) and shear that margin off. It can be done quickly. The price resulting will have the merit simply of ceasing to shock the

common sense and the moral sense of the community. It will leave unknown profits, of course, in the pockets of the producers. But Congress will excavate them with an infinite variety of taxes.

There is the "top cost" method. The first part of the President's speech on prices gave considerable comfort to advocates of this method. In every industry, among all the plants that must remain in existence in order to give us our desired grand total output, find the one that has the "top cost" of production. To that "top cost" add a "normal" profit. The sum is your "just" price. It barely keeps the "top cost" plant going. If it were lower, that plant would have to stop. It gives that plant a living. It therefore gives every other plant more than a living. It gives the plant with the "bottom cost" a very fat living. But again Congress will tax; and, in this case, it will tax with a special definite tax directed at special quite definite earnings.

There is the "government pool" method. It is in high favor in certain offices of the Federal Trade Commission. Let the government establish a pool of its own which will give it a momentary book-keeping ownership of each of the most important primary commodities on their way from production to consumption. Let the government buy from each individual producer at this ascertained individual cost of production plus a "normal" profit, and let it sell to the public and itself at one consolidated averaged price lying somewhere in the neighborhood of the middle line between highest cost level and the lowest. This will give everybody a lower price than could be given any other way. It will, of course, however, by eliminating all "excess" profits in each of the commodities which it touches, rob Congress of one of its largest and easiest sources of revenue. But Congress will have to find new sources.

There are other methods. Each of them is alluring. Each of them is alarming. To examine them thoroughly, to calculate their consequences, to choose between them, to adapt them to our present circumstances in such a way as to avoid, if possible, the great calamities with which governmental price-fixing has almost always been attended—this is a labor demanding continuous and prolonged thought from persons with the time for it.

Therefore it is proposed that there shall be a Price Board reporting to the President. Yes. One more mechanical prop. One more thing ostensibly to hold up the President's hands but really to clutter them.

The Cabinet departments report to the President. Numerous other bodies report to the President—the Tariff Commission, the Interstate Commerce Commission, the Federal Trade Com-

mission, and others, including the Shipping Board and also, in fact, that aspect of the Shipping Board called the Emergency Fleet Corporation. And at the top of each of these groups are men as busy as the squirrels in Lafayette Park burying each his winter store of nuts. Mr. Baker must give his personal attention to the manuscripts of pamphlets of instruction and encouragement to be distributed among the boys who have been drafted. Mr. Daniels must give his personal attention to the problem of chasing girls away from sailors. Each group, each head of each group, sees perhaps a half, a quarter, a tenth, a twentieth, of any one really great national policy. He runs with that fraction of it to the White House.

The Federal Trade Commission is studying the course of certain primary commodities. As it finishes each inquiry into each cost it will take it voluminously and lay it in a basket at the side door of the White House. Mr. Wilson will examine it. He will send it on after a while to the Prices Board. There will be a row in the Prices Board on policy or between the Prices Board and the Federal Trade Commission on the interpretation of facts, and there will be nothing to stand between that row and Mr. Wilson, who at that moment will be struggling with at least six weeks arrearages of rows from other quarters.

"He has no ministers," said a member of one of the missions in Washington from the continent of Europe. "To get anything important arranged I must see him. When I see him, I see a very great man. But he cannot let me see him every day. Of course not. So here I am. And the arrangements are not made."

For price, as for everything else having to do with the conduct of the war, the first thing needed is not the creation of a new independent roving administrative board but the transformation of the Council of National Defense genuinely into a policy board—exploring policy—presenting policy explored to the President for his approval—transmitting policy approved to administrative boards subject to its influence—holding these boards authoritatively to whatever policy the President may have laid down—driving them—harmonizing them.

The Shipping Board has become the untamable Albania of Washington. Surely our stock of such principalities is now large enough. Surely we need an organic control of them. Where is that control possible for the war, except in the Council? Under the Council, under the Council changed from a group of merely individual administrators to a group of collective directors, is surely the place for the Prices Board.

WILLIAM HARD.

The Embargo

BECAUSE it is chiefly by guesswork that we estimate how considerably the exports of neutral Europe are contributing to the enemy offensive, the political and economic purposes of an American embargo are confusing. Assertions that importation from this country permits a turnover of enough food to supply minimum rations to two and a quarter million German soldiers are answered by the agents of neutral governments with a claim that increased American trade has not managed even to replace lost commerce from other nations which was relied upon for the necessities of existence. American trade, they believe, is already at a minimum. They point to our own records to show that while the neutrals of Europe are receiving more of our foodstuffs now than in the period before the war, they are receiving thirty per cent less wheat, flour, corn and cotton-seed cake than in 1915, sixty per cent less bacon, and only a sixth as much lard. On their own records, filed with our Department of Commerce, they would build the other side of the case: Holland, for instance, asserting that while in 1914 she sent 130 tons of fresh fruits into Germany, in 1916 she shipped but 78—that in the same period her exports of wheat to Germany fell from 44,000,000 bushels to the negligible total of 698. "Speaking generally," declared Lord Robert Cecil, Minister of Blockade, "and aside from the petty smuggling which will always exist, the neutrals have not sold any appreciable quantity of imported goods to Germany. Their trade consists almost entirely of their own goods. Moreover, they have not even replaced such exports with imported goods, except indirectly. Certainly they have imported fodder and sold pigs, but it is difficult to stretch the doctrine of enemy destination to cover this point."

Unfortunately for the case of the neutrals, it is not upon the doctrine of enemy destination that the present policy of our government can be plotted. Decreasing importation from this country, and, even if convincingly demonstrated, decreasing exportation into Germany, are not central considerations. At the bottom are the facts that the United States holds practically absolute control of the world's food surplus, and that since we have gone into war we cannot be other than discriminating in our disposal of it. Assume that not a pound of our own foodstuffs crosses into Germany, and there is still presented a problem in deciding to what extent the neutral nations, for their own use and for an indirect replacement of their export trade, should be permitted to share in our meagre surplus.

Since an embargo policy is not incidentally but