

## Must We Have a Panic?

**A**RE we in fact standing at the brink of industrial depression? Or is the present economic malaise merely a passing cloud over the sun of a prosperity that will soon blaze all the warmer for it? Nobody can say, with certainty. It is true that in the Middle Western manufacturing territory, which feels the economic pulse of the nation more distinctly than any other, factory after factory is going on part time or closing down altogether. It is true that the textile industry in all its stages is laying off men, and the textile industry more than any other reflects the immediate mood of the general public. Responsible financiers can be found in every city who profess optimism in their public utterances and privately advise their customers to take in sail. Responsible newspapers exhibit remarkable neglect of the news value of fifty thousand men laid off in one city, seventy-five thousand in another and of an army of the unemployed climbing rapidly toward the million mark. These are the familiar indications of approaching hard times. They are, to be sure, not infallible. Modern industrialism is too new a thing, as history goes, to admit of sure prognostication on the basis of established experience. Nevertheless, it would be an amazing fatuousness that refused to face the fact that our present economic condition contains serious elements that may become more serious.

But why borrow trouble? If a crisis is coming, it is coming; what is there to do about it? If we believed that there was nothing at all to do about it, we should follow the policy of the "responsible" newspapers in filling our space with comment on other things. Better to talk about Harding's fishing exploits, about the new theories of the bomb explosion, about the latest graft exposure, than about an inevitable economic winter that will darken the days of all of us. Eventually we shall all die, but the moral of that is, make merry now. As we see it, however, there is nothing inevitable about an industrial depression. It is the kind of evil that comes because men fail to take thought and action. There are, we believe, forces capable of warding off depression, if only they were properly organized and directed by a broad economic statecraft.

Certainly there are conditions affecting our economic life over which merely economic organization can not exercise adequate control. Cotton and wool, wheat and meat, copper and steel are all suffering under the decay of foreign markets, consequent upon the insane destruction of war and the equally insane obstructiveness of a bad peace. American materials clogging the warehouses; industrial Europe unemployed and shivering and

starving; agrarian Europe withholding available food supplies and refusing to produce to capacity for want of an equivalent in industrial products—all that would be unspeakably absurd if it were not so horribly tragic. We Americans have no right to a clear conscience on the matter. We lavished credits on Europe so long as we were at war, but as soon as the war was over we refused to do the acts of faith and far sighted reason necessary to establish peace upon a sound economic foundation. The eighteenth century economists in charge of our Treasury and of our credit system were dreadfully afraid that reconstruction credits to Europe might mean throwing good money after bad. They had no inkling of the fact that the difference between American industry functioning buoyantly under the stimulus of an active foreign trade and American industry shut out of foreign markets by chaotic rates of exchange may be measured statistically in tens of billions of dollars. One year of depression may cost America a sum of values exceeding our aggregate loans to our Allies. Half that sum, judiciously placed in Europe where it would most have stimulated production, might have staved off the crisis now menacing our industry. But there is no use in crying over spilt milk. In failing to set Europe on the road to economic recovery we missed the readiest means of keeping our own industry going. But there are other means.

For important as the foreign market is to an industrial nation like America, it is not a precondition of national prosperity, as it is for a nation in the position of England, for example. Two things are needed for industrial prosperity: efficient production, and consumers who are themselves efficient producers and therefore able to buy freely. Consumer-producers in England or France, Italy or Czecho-Slovakia, Germany or Russia, would furnish a market for our surplus products, but so also do consumer-producers at home. A demand for rails and locomotives from Montana is identical in its bearings on the steel industry with a demand for rails and locomotives from Russia. Railway building in Russia would create a demand for all manner of miscellaneous supplies; so also would railway building in Montana. In either case new sources of production would be tapped, to pay eventually for the railway and for the steady flow of supplies needed by the population served. In either case the first stage in the operation would be an act of faith, a grant of credit against the future productive power of the railway and the territory it opens up.

The blundering of our government has shut us out of Russia and the general work of European reconstruction. That is a misfortune; but is it

any reason for blowing out our blast furnaces when there is an unplumbed need for iron and steel products at home? That there is such a need is a point hardly worth argument. Our entire construction industry is years behind in any rational program for equipping the nation properly with railways, docks, reclamation works, office buildings, machinery. There is work enough of an unquestionably useful character to keep our entire laboring population as busy for years as it was during the war. And with all our population employed and earning wages, what talk could there be of overstocked markets, of necessities of life a drug on the counters, of industrial depression?

All this is well enough in theory, the practical man will comment, but where is the capital coming from? We have capital enough to employ all our labor, if we keep it at work instead of idling in factories closed down. We employed all our labor during the war and at the same time spilled fifteen billions or more a year on fighting Europe. Our productive capacity is immensely elastic, if we will it to be so. Well, grant this. How can we inaugurate works that look to future earning power for their return at a time of excessively inflated costs, like the present? That is indeed the crux of the matter. If everybody was certain that prices would not fall in the next five years there would be no crisis in sight and no unusual need for the exercise of economic statecraft.

We have many of the most competent engineers in the world. Let them get together a summary view of all the projects of construction at present technically feasible with calculations of costs and probable yields. Let our financiers analyse these projects with a view to determining what reduction in costs will be necessary to insure solvency in spite of anticipated price changes. And further, let the leaders of labor offer their advice as to how costs may be reduced through better management of labor and readjustment where necessary to lower living costs. It will be found, we believe, that while the chances of loss through fall in prices can not be altogether eliminated, most of the probable price decline can be anticipated through the general renunciation of profits beyond a fair minimum and of returns both to capital and to labor that depend on restriction of production. Sacrifice of returns measured in money must be expected all around, but that is no reason why production should not go forward, enlarging all around the returns measured in the concrete goods that men need.

In recent years there has been a tendency for business men to get together in all manner of associations for the advancement of their common interests. Hitherto they have interpreted those in-

terests narrowly. They have joined to fight adverse legislation, to resist what they deem, often mistakenly, to be the arbitrary demands of labor. But there was a time in our history when business men got together for a better purpose. When the new American nation was on the point of perishing through the political weakness of government under the Articles of Confederation, it was the business interests that backed up the movement inaugurated by Hamilton which led to the adoption of the Constitution. The business men of that day were capable of conceiving their own interests in terms of the interests of the nation.

Politically competent as our national government is today, it is economically on a plane with the Articles of Confederation. It can spend money valiantly, and tax its citizens heroically, but when an economic crisis approaches, it hides its head in the sand. The crisis over, it struts with head erect, unmindful of the past and the future. But the men who claim leadership in the business affairs of the nation through control of capital or of labor can not afford to emulate the government in this respect. Rather, they must organize to protect the common interests the government neglects. For the existing system, of which they are the beneficiaries, lives not by virtue of the immutable laws of nature, but by virtue of its sufficiency for the supplying of human needs. And each successive swamping of economic life by the flood of chaos and unreason that we call an industrial crisis leaves a huge black smudge on the record of the system. Let any one examine the history of socialistic agitation; he will find that it was born of the industrial crisis and nursed into vigor by the industrial crisis. An economic system which does not possess a quality of statecraft capable of coping with the crisis deserves to die, and sooner or later is bound to die.

## *The New* REPUBLIC *A Journal of Opinion*

PUBLISHED WEEKLY AND COPYRIGHT, 1920, IN THE UNITED STATES OF AMERICA BY THE REPUBLIC PUBLISHING COMPANY, INC., 421 WEST TWENTY-FIRST STREET, NEW YORK, N. Y. HERBERT CROLY, PRESIDENT; ROBERT HALLOWELL, TREASURER

### EDITORS

HERBERT CROLY	CHARLES MERZ
FRANCIS HACKETT	WALTER LIPPMANN
ALVIN JOHNSON	PHILIP LITTELL
SIGNE TOKSVIG,	Assistant Editor

YEARLY SUBSCRIPTION FIFTY-TWO ISSUES, FIVE DOLLARS IN ADVANCE. SINGLE COPIES FIFTEEN CENTS, CANADIAN SUBSCRIPTION FIVE DOLLARS AND FIFTY CENTS PER YEAR IN ADVANCE. FOREIGN SUBSCRIPTIONS FOR COUNTRIES IN THE POSTAL UNION, SIX DOLLARS PER YEAR IN ADVANCE; REMITTANCE TO BE MADE BY INTERNATIONAL POSTAL MONEY ORDER.

ENTERED AS SECOND CLASS MATTER, NOVEMBER 6, 1914, AT THE POST OFFICE AT NEW YORK, N. Y., UNDER THE ACT OF MARCH 3, 1879.

# Russian Impressions

## II. A Provincial Soviet

I WAS lucky during my stay in Vladimir (accent on the second syllable) to find the provincial Soviet in session. The little town with its forty-thousand inhabitants, some one hundred and twenty miles due east of Moscow, is like many another capital of a "gubernia" (province) in Central Russia. I used to fancy that it might have been the model for Gogol's country town in the Inspector-General—the place from which you might drive for three years, and never reach a frontier. Nature, however, had made it more picturesque than most Russian towns, for in this land of endless plains it stood on a low ridge of hills. Below it wound the gleaming serpentine stream of the river Klyasma, and from the height one saw the endless Central Russian forest stretching to the horizon, its green dimmed by the menacing pall of smoke from the incessant fires. Vladimir, moreover, had a distinguished past. Its two cathedrals dated from the twelfth century, and one of them, an odd square building covered with fantastic reliefs of birds, beasts, Saints and their Creator, is familiar to students of architecture. At one end of its long main street stands the "golden gate," a triumphal arch, built by local princes before there was a Tsar in Moscow.

The revolution had changed little in its outer aspect. Most of the shops, indeed, were closed, though tantalizing advertisements still promised the non-existent goloshes or hats. The few Soviet stores were generally "sold-out" and deserted before mid-day. The uneven streets were comparatively clean. Two motor-cars existed in the whole province,—there had been none before the war—and all the horses shied at them, so primitive is this place. The electric light blazed in the streets for three hours after night fall, a luxury unknown in Moscow. The usual efforts of communist propaganda, posters in color, posters in print, and clever stencilled drawings, imprinted in black on the white-washed walls, formed your mind for you, as you walked, by their reiterated suggestion. The little town was monotonously orderly, puritanical and quiet. In my two weeks' stay I never saw a drunken man, a prostitute or a game of cards. I neither witnessed nor heard of a single act of violence or roughness. A very few armed militia men patrolled the streets, but I never heard a shot, and in a conspicuous place there stood a letter-box specially set apart and labelled for "Complaints

against the Militia." I used to wonder in this "Bolshevik chaos" what order looks like in Cork or Galway.

The Soviet met, at least thrice a year, in a big classical building which had been the Nobles' Club. The outer aspect of the Soviet was rather sombre. There was a group of half-a-dozen women members from textile factories. All the rest were obviously workmen or peasants, big men, roughly dressed, and I think the only "intellectuals" among them were one or two village teachers. There the history of this revolution was made visible. In its first months the "intellectuals" had combatted it with an organized boycott. Their passive resistance was gradually broken. For nearly two years they had endured what was at best a suspicious tolerance. It was only towards the end of 1919 that the word of order came from the centre for a sort of reconciliation. Their food ration had been raised and their opportunities of service increased. Many of them have responded in loyal and devoted work. The class cleavage however remains. They are not trusted by the workmen. They are not welcomed in the governing Communist party. They are rarely elected to the Soviets. They are still only the employees of the dominant proletariat.

The Vladimir Soviet, like every other, contained an overwhelming majority of Communists (Bolsheviks). There were no Mensheviks who sat under that name. A tiny opposition, very loyal and discreet, perhaps ten per cent of the whole body, sheltered under the "non-party" label. There is much discussion among advanced circles in the West as to the relative merits of an occupational, as opposed to a territorial franchise. The question has its theoretical interest, but there is little light on it to be derived from Russian practice. The plain historic fact is that the Soviet was evolved as a fighting organization, well adapted to conduct a general strike. It remains in being as an organ of the Communist dictatorship. To waste time in discussing it as a representative system would be either foolish or dishonest. Under a dictatorship which denies, even to the tolerated Menshevik opposition, the indispensable opportunities of propaganda through the press and public meeting, no system of representation can work as such. By one expedient or another, the opposition is kept within insignificant dimensions, and the Soviet "represents" only the Communist party. No Russian Bolshevik would dispute or resent that plain