

Our Competitive System: Its Foundations and Future

The people and the premises that have activated our prosperity are scrutinized in three current studies: "The Economics of Freedom," by Massimo Salvadori (Doubleday, 242 pp. \$4), "The Economic Mind in American Civilization 1918-1933," by Joseph Dorfman (Viking, Vol. IV, 398 pp. Vol. V, 776 pp. \$12.50), and "The Roosevelt Revolution," by Mario Einaudi (Harcourt, Brace, 372 pp. \$5.95). The works are evaluated respectively by Clarence B. Randall, who has been special assistant to the President on matters of foreign economic policy since 1956; by David M. Potter, professor of American history at Yale University, and by D. W. Brogan, author of "The Era of Franklin D. Roosevelt."

I. Free Enterprise

By CLARENCE B. RANDALL

THE THOUGHTFUL American is hard put to it these days to keep up with his homework. Seldom before has there been so much that we should know if we are to remain even reasonably well informed about the surging events of this fast-moving modern world. The nuclear scientists surely had their day, driving us of the lay public to frantic study of nuclear fission and astral physics. Now come the economists and the political scientists. I see ominous signs that we are about to be engulfed in an equally frantic re-examination of the social and material implications of our system of production. This is good for it is high time that we who pay the bills should turn our minds seriously to economics.

First of the new heretics was Dr. John Kenneth Galbraith, who proclaimed that we should establish government controls over all phases of production and distribution. Back to the Blue Eagle? Never! That professor's nightmare we tried.

Next was Dr. Sumner Slichter, who testified before a committee of the Congress that we should not be disturbed over creeping inflation because it serves a useful purpose in that it promotes the expansion of our economy. Creeping disaster, I call it!

And now comes Dr. Massimo Salvadori, with his highly stimulating, and somewhat controversial, book, "The Economics of Freedom." Here is a new voice that is pleasing to my ear, and doctrine that I find refreshing, in spite of the fact that at times he makes my sudden anger rise. Let me clear away those unhappy passages quickly, so that I may get on to what I consider the

excellence in this author's contribution to our thought.

He first declares that large enterprise is here to stay. He accepts the fact that the big corporation is indispensable for mass production, for greater efficiency, for reduction in costs, and for activities such as research, which have an important bearing on our progress. Yet, almost in the same breath, he castigates rather savagely those who conduct big business, as though mere association with such projects renders a man ignoble. Though committed to the classless society, and democratic procedures, he would nevertheless bar members of what he terms the "big business community" from participation in the affairs of state.

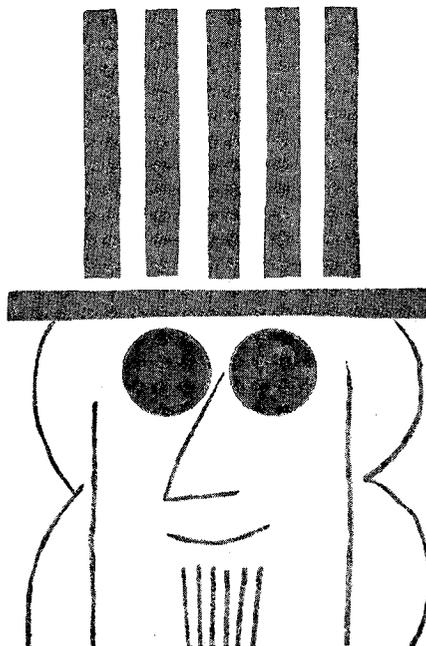
Categorically he states: "The qualities which make for success in the

world of big business are the negation of the qualities required for statesmanship." Those are fighting words for a reviewer who, after completing his career in so-called big business, is endeavoring in retirement to serve his country. There are, of course, small men in big business, just as there are big men in small business.

I wonder how the author would explain the genius of Paul Hoffman, whose creative imagination and superb drive in the administration of the Marshall Plan contributed so enormously to the present prosperity of those western European countries which he knows so well. How would he account for Lew Douglas, who is universally recognized as one of the finest Ambassadors our country ever sent to the Court of St. James? Has he overlooked George Humphrey, who guided the financial aspects of our international relationships so brilliantly for so many years?

BUT I forgive these derelictions in a scholar so recently come to us from his native Europe, who perhaps does not yet know American businessmen well. This very bluntness, coupled with the author's foreign birth and background, makes all the more convincing his penetrating analysis and friendly interpretation of the dynamic forces that underly our economy.

When the author's lecture called "American Capitalism," upon which this book is obviously based, first appeared, even the President of the United States was moved to pause during a press conference to comment upon it with great enthusiasm. And it is little wonder, for here the reader will find a singularly shrewd appraisal of the strengths and weaknesses of American free enterprise. I prescribe the final chapter of the book as a "must" in reading for all



—From "The Economics of Freedom."
The basic feature: freedom under law.

businessmen who would see themselves as others see us.

The basic feature of our economy, Dr. Salvadori says, is identical with that of our political system—freedom under law. The two are so inseparably intertwined that one cannot exist without the other. Herein lies the problem of the new nations. Natural resources are not enough. Unless private ownership of property is established and protected by law, and unless the individual is permitted to develop his particular talents in the manner which he believes to be most effective, there will be no entrepreneurial class, no private initiative.

The keys to our phenomenal success is found in the realm of the spirit. Progress is a function of the inventiveness of which men are capable when free. Not our mines, not our forests, not the richness of our prairie soil, but that sublime galaxy of free institutions which were locked into our Constitution and our system of law by our Founding Fathers held the secret of our economic expansion.

Because liberty is the central element of our society, our brand of capitalism must inevitably excel all forms of collectivism and centralized economies. That what we have is properly termed "People's Capitalism" is beyond question. Every American has some part in it, sharing in its rewards, but also sharing the responsibilities for its failures. Large corporations today have as many stockholders as workers, and every citizen, whether he knows it or not, participates in policy-forming.

Our economy is guided and controlled by an infinite multiplicity of daily choices and decisions. If the people decide not to buy, no corporation is powerful enough to stand against their will; if by ballot or by purchase they vote against either a product or an idea, change is certain.

We must, however, humbly concede that our system is far from perfect. What worldly institution is, or ever will be? Yet Dr. Salvadori believes that our economy has its own series of built-in correctives. He describes the reform of capitalism which has taken place in our country, and to this I can bear witness. I've seen and applauded the changes.

The greatest of these, and the one which to my mind holds our highest hope for the future, is the inspiring sense of social responsibility which is sweeping through American industry in this generation. The tragedy of our times is bringing home to businessmen everywhere a new awareness of those very values of freedom of which Dr. Salvadori writes so eloquently, and a new determination to preserve them.



Joseph Dorfman—From 1776 to 1933.

II. The Philosophers

By David M. Potter

JOSEPH DORFMAN'S fourth and fifth volumes of "The Economic Mind in American Civilization, 1918-1933" complete a major scholarly enterprise. Twenty-five years ago, just after finishing his book on Thorstein Veblen, Professor Dorfman undertook a detailed and comprehensive history of economic thought in America. In 1946 this project bore its first fruit with the publication of two volumes carrying the story to the end of the Civil War. In 1949 a third volume covered the span to the end of World War I. At that time Mr. Dorfman promised a sequel volume carrying the account "nearer to our own day, possibly to the beginning of World War II." But the constantly increasing quantity of economic writing makes each one of the last four decades harder to handle than whole centuries of earlier time, and it has therefore taken Mr. Dorfman two additional volumes to cover the fifteen years from 1918 to 1933. With the inauguration of the New Deal, he now writes *finis* to his study.

Dorfman's work is, in certain respects, a landmark. Perhaps no other branch of American thought—philosophy, political theory, legal thought, or social thought—has received a comparably full historical treatment. From beginning to end, all five volumes are written with comprehensive detail, great learning, and high scholarly integrity.

Such qualities impart a lasting value to the work, and yet, ironically, they have conspired to prevent the author from giving us a broad interpretation of economic thought as a whole. The cumulative progression of the subject does not unfold before the

reader, and at the end one is left with a richness of information about a profusion of eminent economists, rather than with a grasp of the origin and development of vital ideas.

The treatment in the current volumes, as in previous ones, takes the form of a series of discussions of important economic thinkers, grouped according to their field of interest, or their school of economics. These discussions are, for the most part, brief and somewhat encyclopedic. Often they are preponderantly devoted to an uncritical, factual recital, setting forth the theories of the economist in question. These abstracts are frequently followed by extremely curt interpretive summaries, seldom more than a few lines in length, in which Mr. Dorfman indicates the writer's place in a broader context and suggests his larger significance. These passages tantalize the reader by showing how much more illumination the author could have provided.

This same academic integrity is carried to a perverse extreme in Mr. Dorfman's decision to "stop in 1933, out of a deep respect for one of the soundest canons of the historian: namely that the passage of time is needed for perspective and the fullness of available data for adequate description." Granted the validity of the canon, what this means in effect is that the author terminates his *opus* with a two-volume account of a fifteen-year period which ended twenty-six years ago. Moreover, it ended three years before J. M. Keynes published his "General Theory of Employment, Interest, and Money."

To these complaints, others might be added: for one thing, with the modern development of economics as a social science, economic thought has become increasingly advanced, mathematical, esoteric, and unintelligible to the layman. As it does so, the significance of given economists becomes harder to explain in simple terms, and the levels of explanation for the economist and the noneconomist diverge more and more. Mr. Dorfman's summaries are, in many cases, too advanced for the laymen but perhaps not analytical enough for the economist. Another difficulty is that where efforts are made to relate economic thought to other branches of thought, the results are sometimes disappointing. The discussions of Sigmund Freud and of Justice Holmes, for instance, illuminate neither the over-all significance of these men nor the influence of their ideas upon economic thought.

In sum, a reader would hope to find in such a work as this a focus upon the central themes which have run through American economic thought,