Audio file

119093-DemocracyCommitmentLeadership.mp3

Transcript

Speaker 1

For many years I've been coming here to Switzerland to write. Although not many writers realize it, writing must be a lonesome, lonely business. So, as usual, I welcome a change. On this sunny Sunday morning, my wife Catherine and I propose a visit to a landisgeminde, to the People's Parliament of Canton Glarus. It's the first step in seeing how democracy answers to the issues we've been discussing in these programs, how leaders are selected, how the selection differs in different countries. how people inform themselves for participation, and what education serves the needs of a democracy. Switzerland is the classic democracy, also the classic federalism. It is the obvious place to begin on this voyage of discovery. They'll be arriving by now on foot of my car and my train. Power is distributed between the federal government in Bern, the 22 cantons, and the 3,000 communes, local governments. In Britain and the United States, The popular instinct is always, nationally and locally, to look for leaders who can solve problems. In Switzerland, the popular instinct is to solve problems. That's one reason so few Swiss leaders are known outside the country. The last Swiss of great fame was Calvin, who of course was a theologian, not a politician, and really French. Before that, I suppose it was William Tell, who is remembered not for politics, but for his rather perilous approach to parental duty. And current leaders are unknown, even to the Swiss. Kitty, you ready? There's no royal family here. In a true republic, there should never be a first lady. Besides, if you become the first woman president, you wouldn't want me to be called the first gent, would you? I think I'm going to be called the flower child. Soldiers are here too, but they were civilians yesterday and they'll revert this afternoon. Or as the Swiss would insist, they're civilians now. If you dress properly and you're told not to smoke, everything is a serious business and you wouldn't light up in the House of Commons. Where there are too many people to meet as a Parliament, there are elections in some cantons almost every Sunday. Nearly all elections are to decide questions, very few to decide who should hold office. This is the essence of the Swiss direct democracy. Local issues are decided locally, as here, and money is spent by the people who pay. This question of money is the true passion behind Swiss federalism. In Scotland, Wales, Quebec, federalism is a new and dangerous radicalism. Here it is an ancient conservatism. For the issues within Swiss control, the direct democracy works in wonderfully well. It wouldn't keep Switzerland safe in a war, but it

still keeps her people prosperous, contented, employed in an economically unstable world. You vote. The vote is on problems and not on people. The politics of Switzerland is the politics of problems, of decision. In the United States and Britain, we build great monuments to house our leaders, our politicians. Here, the only monument that remains at the end of the day is the paper that was discarded and the business that was done. This political temple is only a little more than 100 years old. And the capital in Washington is about the same age. Reverence of people for their institutions and of politicians for their profession unite to give the impression of a much greater age. Both countries have their totems of political worship, their fragments of the true political cross. In Britain, for centuries, it has been the House of Commons and the common law. In the United States, of course, it's the Constitution. Supernatural forces have presided over the founding of both. For the people crossing this bridge, Parliament is the protector and the surrogate. But they also now look for protection to other institutions. They look to trade unions, business firms or corporations, political lobbies. All of these now share power with the modern parliament. It's a fact of life, one not easily accepted and the source of much worry. Some on this bridge don't look anywhere. It's still pretty early in the morning. Our politics differs in two major respects from that of the Swiss. Theirs, we saw, was the politics of problems, of issues. Ours in both Britain and the United States is the politics of leaders. They ask how problems can be solved. We ask for the man, or the woman, who will solve them. This is the source of a unique schizophrenia in our politics. Writers of major political weight in England The self-anointed descendants of those who paid for their defense of Parliament by residence here deplore the weakening of Parliament by the executive. Sages of equally transcendental insight in America regret the usurpation of the powers of the Congress by the president. Both go on to plead then for a return of the great prime ministers and the strong presidents of the past. who would, of course, weaken these legislatures yet more. This is Cambridge, Trinity great court. Trinity men have always supposed, I've thought rightly, that they were chosen, meant to lead. It used to be said in my time that God too was a Trinity man. So it is not a bad place to pursue this question of leadership in a democracy. What makes a leader great? in eyes other than his own. To what qualities do people respond? I lived once in Neville's Court, just through this arch. The wonderful Wren Library is just beyond. It is perhaps the most gracefully enclosed space in all the world. Or anyway, that's my claim. Political leader that I knew the best was educated here. Jawaharlal Nehru. He early knew, or in any case sensed, the essence of leadership. It is to confront, without doubt or equivocation, the major aspiration, the greatest need, the gravest anxiety of the people you presume to lead. For Nehru was for Gandhi. This was independence for India. Independence for both men, was more than a president and a parliament and an end to British rule. It was also the dignity and the equality of all the Indian people. Nehru moved easily among Europeans and Americans, often with a poorly concealed sense of his better education, greater style, more aristocratic background. In later years, he refused to think of himself as a Brahmin. a

thought that's not easily cured. But Jawaharlal Nehru committed himself wholly, totally to the political aspirations of the Indian people. Imprisonment, jail, was a normal consequence of this commitment. This was the ultimate source of his influence, his power. Without this commitment, his informed mind, his much praised ability to communicate with his people, his other qualities, would have counted for exactly nothing. His name would not now be known. Cambridge and Trinity, I'm sure, gave Nero the assurance that allowed him to make this commitment, the feeling that in his drive for Indian independence he was unshakenly right. As so often before in these programs, Smith, Marx, Lennon, Keynes, we have a leader coming not from the masses, but from the mandarins. English education in Nehru's time was very good at producing such men, and on occasion women too. Nehru once told me, half seriously, that he would be the last Englishman to govern India. On hunger, deprivation, population growth, Nehru's education was in the great, untidy, chaotic world outside the college walls. On these problems, He was not secure, and his commitment was not firm, and his leadership suffered. The qualities that work for Nehru's leadership, certainly a purpose of full commitment to the present anxieties of the people, should stand the test when applied to other leaders, and they do. They were the prime characteristic of the greatest American political leader of the 20th century, Franklin D. Roosevelt. The challenge, the anxiety that made Roosevelt a leader, was economic, not political. The challenge of economic success or failure is a more recent thing than we imagine. Until well into the present century, economic problems were local problems. It could be solved by local businessmen and their local politicians. and, therefore, by the local leadership. Harrisville, New Hampshire, like Fatipersicri and Bruges, retains its uncluttered past, allows us to see what progress elsewhere has destroyed. Bethuel Harris established Woolham Mills here at the beginning of the last century. With his two sons, he dominated the economics and politics of the town until 1850. Then the colony family took over and ran things with only three changes in management for the next hundred years. For the first 130 years of Harrisville, there was no economic problem that Bethuel or the colonies couldn't solve. Cloth could always be sold at a price, wages could then be lowered to meet that price, and this was a remedy for unemployment. Unions did not protest, there were no unions. Productivity was maintained by working a good, rugged 12-hour day. The Harrises in the colonies also ran the town, provided housing for workers and a cemetery in which to bury them at the end. They regulated the use of alcohol and tobacco and watched over sex and religion. But in time, there were problems that the Harrises in the colonies could not solve. There was competition for more efficient Southern mills. Economic society as a whole was becoming more complex and less stable. The extent of these changes and the resulting loss in local power was shown by the Great Depression and with a traumatic force. It's hard to understand nowadays the bewilderment and the anxiety it produced in places like Harrisville. National leaders, Herbert Hoover, Heinrich Bruning, Ramsay McDonald shared in this bewilderment. Then in 1933 came Roosevelt. He accepted that economic

solutions had to be national solutions, something that even the Swiss were discovering in these years. He committed himself fully to those solutions and therewith to the anxieties of unemployed workers and bankrupt farmers and broken businessmen and all who lived in the ghastly fear that they would be the next. If Roosevelt had doubts about his course, he did not let anyone know. The government would support prices and purchasing power. except that a balanced economy might require an unbalanced budget, as both Keynes and Irving Fisher had advised. His was not a revolution, but a piecemeal patchwork reform. What counted was the Roosevelt commitment. Had it been half-hearted, his name, like those of McDonald and Bruning and Herbert Hoover, would now scarcely be known. Roosevelt's leadership, more than incidentally, saved American democracy. The American democracy, like the economy, like this engine which climbs to a New Hampshire mountaintop up Mount Washington, is not exactly a streamlined job. For some passengers, there was still much discomfort and some moments of panic. Much was owed to the diligence and ingenuity of those who manned the political and economic machinery and kept it in repair. But since Roosevelt, almost everyone has preferred to remain on board. In very recent years, the United States has been moving strongly toward greater participation, greater democracy in the selection of its leaders. Once in past years, this selection was accomplished by the party bosses. Their followers were told exactly what they should do.

Speaker 2

It takes 20 minutes to find out if they can hear something or not.

Speaker 1

The occasion for telling them what to do was, of course, the national convention. Delegates from the rural South might not get their railroad tickets home if they didn't vote as they were told. And others from the northern cities would face the loss of jobs, of graft, maybe even jail, if they didn't respond to their bosses, Mayor Haig, Mayor Kelly, Mayor Curley, Boss Pendergast. It was by these men that Roosevelt was selected by the Democrats in 1932. But now, no longer. The National Convention is a dying institution. Here's Robert Strauss, national chairman.

Speaker 3

It's been a long road since 1972 back to the Democrats.

Speaker 1

Bob, do you have the feeling that the whole political process is sort of moving out into the country and that the convention in some ways is a declining institution?

Speaker 3

Well, let me say this. The impact of the convention in pure political terms is possibly a declining institution. But it's sort of like a Fourth of July celebration. in some respects. There's a lot of joy and a lot of rededication and a commemoration of things and a meeting of old friends.

Speaker 2

All right, lighting is low level, but we will go to the band. Are you the only surviving Udall delegate?

Speaker 1

The feeling is going to be nominated. In selecting the candidates, it's the people that now have the play. Their chance came a month before the convention, here in California on primary day. The polls have just closed in Los Angeles. The ballots come in by helicopter. Nags are checked for metal, maybe something like a bomb. Then they're checked for obvious fraud, and the crooked and bent cards are taken out and counted separately because they can screw up the computer. Then the computer takes over. Some argue that the solution has not been all that much improved, that in the last 200 years, as Gene McCarthy once said, Democracy has marched on from George Washington to Richard Nixon, John Adams to Spiro Agnew, and from John Jay to John Mitchell. As with many others, although I confess it, my commitment to democracy is really an act of faith. I'm not open to argument on the alternatives, but I do also think there is rational ground for believing it to be both stronger and safer than any other form. It's because weakness and danger in the modern state come when there is a rift, a division between governing and governed. When people can feel that the government is not theirs. The more democratic the process, the less is this danger. The smaller this weakness. The people who put ballots in these boxes are by that very act inoculated against the feeling that the government is not theirs. They accept by that act that its errors are their errors, its aberrations are their aberrations. And that a revolt will be against themselves. It's really a remarkably clever arrangement when one thinks of it. None of this means that democracy is more intelligent than other forms of government. And I don't think it necessarily is. That depends on the means by which people are informed. This is the last of the big primaries. For better or worse, when the computer here is finished, we will almost always know who the presidential candidates will be. One of two men will be president. The conventions are for show for the anchormen and the orators. The power here is in the hands of the people. Let no one think that this is a negligible power, that it is an engine without steam. One candidate then survives. Considering the incredibly exhausting process of selection, survival is a very good work. The culmination of this long process in the United States is the election of the president, the pinnacle, the mountaintop of leadership. Does this in turn negate democracy? Is the presidential power imperial? And must it be? We've had two very practical tests of this in recent time. One was Watergate, where abuse of presidential

power brought the dismissal of Richard Nixon. But there was another more interesting and more difficult case. It occurred when authority is always thought to be the greatest during a war. It was something I saw at rather close range. For most politicians, the Vietnam War presented a nasty problem. It was how to be for both war and peace, how to oppose an unpopular conflict and stand four square behind our boys. All who so straddled eventually achieved the obscurity for which one judges nature intended them Eugene McCarthy decided to test the democratic process against that of the pinnacle the presidency perhaps I had something to do with his decision by the mid 60s I was strongly against the war and we discussed it a number of times and one day in the autumn of 1967 I spoke on another mountaintop it was about a hundred miles from here Mount Ascutney and a ski lodge we'd expected a hundred people or so and when I got there the mountain was covered with people it's a very heady business a Sermon on the Mount I talked again after that with Gene told him my impression and so did others and he decided against all political calculation to take on the battle and here in March in 1968 in the New Hampshire primary. McCarthy and a host of volunteer supporters who came in buses from all over the countries came within a very few votes of defeating Lyndon Johnson on the issue of the war. A president at the peak of his power was brought down. A few weeks later, he stopped the bombing, withdrew from the presidential race. I'm not sure all people yet know what happened. In the middle of a war, a great country stopped considered, rejected all the forces of chauvinism and patriotism, stood against the generals and the bands and the music, and called off the conflict. This was the democratic power. Perhaps it hadn't happened before, but it did happen then. Eugene McCarthy was a gifted man with an ear for music and a sense of the effective words of poet. He knew or anyhow sensed the power of commitment, the power that had been exercised so effectively by Nehru and Roosevelt. But however this may be, he showed better than anyone in recent times that leadership, even when it is opposed when it is at the presidential pinnacle, if it's faced by an aroused democracy, can be a secondary thing.

Speaker 3

I have no doubt in my mind that if we elected John Kenneth Galbraith, President of the United States, and 535 as most faithful and loyal students as the members of Congress, that this legislation is likely to achieve the aim.

Speaker 1

What gives power to people and their legislators to lead, to participate, to bring their leaders and anointed sages back to earth as needed? Let all who advocate this legislation be mature. Let us not imagine that God is a liberal gentleman who will work miracles for liberals merely because he loves his own. Part of this power depends on the further power I've mentioned, the power to inform. I spent a good deal of time before congressional committees. The same thought always sustains me. This is a

central function of modern government. Presidents can control legislation. They cannot, to their regret, control investigation. As Congress brought out the full story of the conflict, opposition to the Vietnam War increased and hardened. And it wouldn't have happened otherwise. It was also the investigatory power, the power to inform that brought down Richard Nixon.

Speaker 3

Why this, which is far more comprehensive, far more difficult to achieve?

Speaker 1

It's a process which retains its vigor and is not, fortunately, graced by any unnecessary politeness. On occasion, it informs the witness of his more obvious faults.

Speaker 2

With all due respect, Professor Galbraith, to your national and international reputation, I have some very distinct disagreements with your basic philosophy. I get a little bit tired of the catchword, anything that's good, motherhood, we attach progressive to it. And somehow that's supposed to make it great and wonderful and the savior of us poor dumb citizens who don't have PhDs in economics. But I do know that the liberal philosophy has been tried for all of the years that I have been alive, and I credit that for most of the problems of the economy. We haven't talked about $75 billion budget deficits, we haven't talked about bureaucracy, the chairman talked today. about what we've tried to do? No, even...

Speaker 1

No, as far as the cost center, I'm sure you would agree that the cost will depend entirely on the extent of the unemployment that has to be dealt with by the bill.

Speaker 2

That's the typical philosophy here, that if a program fails, we didn't fund it enough, put some more money in it, hire some more people. I'm sorry, I just can't buy the philosophy on the basis of hindsight. I only took Econ 1, 2, and 3 as a banking and finance major. I don't know all the economic theory. I'm not sure I understand M1 and M2 and all the stuff I hear in this committee. But I do hope I have developed a little 2020 hindsight and some common sense to see what happens. But I'd like to try the conservative philosophy just for a few years. I'd be perfectly willing if we were proven wrong to say, Boy, you're wrong, you failed. But I think the other way has failed. And I think to ask for continued more government, I agree that it's a political police state with the other things we are doing in this committee.

Speaker 1

But the greatest source of democratic power, we should not doubt, derives from education. This requires our deeper attention. When education allows people to resolve issues with intelligence, select leaders with discrimination, and trains leaders that are worth selecting. Well, the answer brings me back to familiar and beloved scenes to the University of California. I was here during the early 1930s, and we then regarded it as the best university in the world. And I'm glad to say that there are a lot of people who have since come to share our insight. Undergraduates in my day were not very much interested in politics. The principal symbols of undergraduate achievement were sex, alcohol, and idleness with a certain commitment to intercollegiate athletics. But in the 1960s, Lyndon Johnson, the Vietnam War, and the hot breath of the local draft board succeeded where the books and the professors had failed. There was a massive questioning of the wisdom of public authority here at Berkeley, and that questioning, some called it a revolt, which began here, spread to universities around the world. Anywhere in the world, one mentioned Berkeley, and people began discussing the relationship between education and democracy. This lovely campus is a good place to ask what kind of education serves the democratic purpose. It's an even better place to see the conflict that education involves. We want the largest possible number of participants in democratic discussion, and the tens of thousands of this university enrolls are proof of the seriousness of that intention. We want them to believe that in a democracy they are sovereign. have the right and the responsibility and the power to decide. And we want also to train leaders, men and women who are equipped with the knowledge and the self-confidence, and maybe also the self-esteem, to decide for others and then to win acceptance for their will, because that's the meaning of leadership. So we ask for leaders And we ask for followers who are told that leadership belongs to them. Our only hope is that some conflicts are irreconcilable in principle, but not in practice. This university shows, I think, that we need not despair. We all agree that pessimism is a mark of superior intellect, and it may well be a spur to greater effort. But occasionally we should reflect on achievement, as long as it doesn't become a habit. For centuries, the races stood apart. Whites always above, blacks always below. They have come together. Education in the schools, we all know, was the scene of this struggle. But it was also the source of the success. In the late 1960s, Jimi Hendrix, the young black rock musician, performed here in Berkeley his version of the Star Spangled Banner. It tells, as music can, of the achievement, of achievement as always born of much pain. Since time began, Man has celebrated the heroics, the nobility of death. It was the universities that led in the 1960s in the rejection of death, the honoring of life. Let this continue. After much struggle, the people expelled a leader who was false. This had not happened in their history before. There was upset, even violence in some of this. There was much more that was generous and good and wise. Not all of these achievements can be attributed to education. But after 200 years and more, education gives us something to celebrate. Celebration of more than an anniversary, also of progress and rejuvenation. This is the Greek theater on the Berkeley campus. What we

see here, a reminder of the original democracy, is not wholly an accident. The early builders thought it's something a university and a democracy should well have. the kind of place where politicians, political leaders have been coming ever since Pericles to meet the people and to try to persuade them. The dialectic of the modern industrial society will continue to turn on education. On the one hand, the competitive meritocracy, the will to succeed, On the other hand, the need to submerge personality, be part of the team, accept that politics is the art of the possible. But above this dichotomy is the higher need over which there can be no dispute, and that is the rejection by leaders of evasion. That is the need to see the sources of people's anxieties and concerns and the solutions that are inescapable. Be transformed into an oasis of freedom and This, I think, is the essence of leadership, a full commitment to the anxieties of the time, a commitment people are given no reason whatever to doubt, and then the ability to change as the problems change. Recalling the lessons of the Swiss, this tells us what education in a democracy, in a successful democracy, must accomplish. It must develop the sense of community that we saw in Switzerland. This specifically is an understanding that in the end, The special interest, one's own interest, is always subordinate to the interest of the community. That's not charity. This is a wholly practical matter. Only the community, local, state, national, international, reflects the well-being, maybe even the survival of all people. The people of a democracy must also be skilled in detecting the person or group that puts its own interest ahead of the community. or maybe claims that the two are the same thing. For it is inevitable that corporations, trade associations, trade unions, generals, bureaucrats, professors will do just that. Democratic education accordingly must ensure that all people can identify and will resist the claims of special interest. All must know that the voice of special interest, and that of the affluent in particular, being very loud and very clear, is regularly mistaken for the voice of the masses. The second need concerns the commitment itself. Democratic education must give to men and women the sense of security and purpose that allows them to confront, without any ambiguity, the tasks of the time. And it must help all of them to distinguish between leaders who make such a commitment and those who don't. The highest political craftsmanship, as it's often regarded, consists in avoiding commitment, in responding to the anxieties of the day, while persuading those who might suffer from the resulting action that they have nothing at all to fear. We all know the phrases, peace through armed strength, an end to poverty, but no expansion of the role of government. As I just said, the politician who is skilled in such ledger domain, is greatly praised in modern spectator politics, a great performer, a true professional. A democracy needs to be equally skilled in detecting and then rejecting that kind of evasion, all kinds of evasion. I come now to a final need. All the leaders I mentioned, Roosevelt, Nehru, Kennedy, and by the standards of his community, Martin Luther King, had what today would be called an elitist education. Very bad phrase. We come here to the contradiction that I mentioned earlier. All of these men had been trained to believe that they were likely to be right.

Thus, they had all been trained to believe that they were right. This gave them the sense of personal security that allowed them to take a stand. They did not feel the need to equivocate. They didn't think others were entitled to say that they were wrong. Education still needs to persuade the very best of its products that it qualifies them to take and to maintain a stand. To what anxiety should we seek commitment by our leaders? Now, I thought maybe we should ask this question in less cluttered surroundings. Anyway, it was a good excuse to come out to Death Valley well named for one of our anxieties, a place of singular interest and beauty, and to see the surrounding mountains equally barren, stark, uncompromising in their mood. It's my firm view that it's far easier to understand the problems of modern society than it is to confront them, much easier to know what needs doing than to win the commitment to doing it. Indeed, we use complexity as a formula for evasion. Matters being, it is said, beyond our comprehension, we then postpone, compromise, yield to the convenience of politics and politicians. Such evasion was not possible in communities like this. Skidoo 23 is in the Panamint Mountains. It flourished as a mining town in the early part of this century. The 23 refers apparently to the distance water was piped over the mountains to the mines. Skidoo was an admirably simple society. No government, no public services, few private services, only the mining of gold. Its one contribution to history was in 1908, the year of my birth. Skidoo's most dubious citizen, one Joe Simpson, shot and killed Jim Arnold, the storekeeper, banker, and chairman of the local establishment. Simpson was strung up on a telephone pole, the wires of which gave the news to the world. Reporters rushed to Skidoo, and the citizens who were already becoming media conscious strung Joe up a second time to show them how justice had been done. For Skidoo, the problem was the economic base. And that was something that on this desert, no one could fail to understand. The economic base is also the problem of the modern metropolis, the inner city, along with finding the public resources that enable people to live together in reasonably safe and civilized fashion. Skidoo, in its own way, shows also how fragile is the fabric of modern urban existence. Once it was a flourishing community of 700 souls. Now the population of Skidoo is precisely nil. Self-interest, the release of individual energies, was what made Skidoo in its few years in the sun. No one looking at these barren hills would imagine that any other force could bring people hundreds and thousands of miles in some cases to bury themselves in the holes that we've seen here. Both Adam Smith and Karl Marx believed such motivation essential in the early stages of industrial development. This is a truth that many in the poor countries do not now confront. Surely there's some socialist or collectivist shortcut, even though the organizational and administrative structures on which their success uniquely depends is woefully weak in these lands. These piles of gold were the resource that made Skidoo. They remind us that resources are exhaustible and of the oldest remedy for poverty when the relationship of resources and people is wrong or goes wrong. In Skidoo and down here in Death Valley, the relation of land to people is strikingly clear. Had people been forced to live here after the minerals were gone, they

would have been very poor indeed. So they moved on. The movement of people from the Poor countries to the rich has been, we've seen, one of the great solutions for poverty. And it has been so for a long, time. When it's from poor countries to rich today, it's a remedy that not many people in the receiving countries want to confront. The situation of the poor countries is the same. For them too, income from outside is an antidote for poverty. And it's no less a remedy when it comes as assistance, aid from the rich countries. This is a fact that we of the fortunate lands also try very hard to forget. This valley has another and yet more somber truth to affirm. It's about 100 miles long, 15 to 20 miles wide. Imagine it to have been urbanized, built up. as the strip of land from Connecticut through New York and New Jersey to Philadelphia is urbanized. Or London and the home counties, or the Moscow area, or the Tokyo-Yokohama plain. Imagine that the city and the suburbs cover the whole length and breadth of this valley from the mountains to the mountains. Look at it well. This is how it would look after the explosion of a mere four 20 megaton bombs. Keep looking. This is a truth. We also try very hard and very successfully to evade. The problem is not that the world has got beyond us, that problems are too complex for the human intelligence, democracy too weak. The problem is that we use so much of our intelligence to evade the hard answers. Is it? Because they think it's gone in the wrong pocket? Yes. Nearly two years. Oh, really? And that is when he did all his reasoning about foreign policy and foreign... Next time, we propose to see if that is what, in fact, our leaders do, or how they come to grips.

Speaker 2

Making promises to the West. They weren't attacking.

Speaker 1

No, but you... They weren't going that far. But they were all saying... We've invited a dozen or so world leaders here to Vermont to discuss the questions that have such clarity and skidoo. and such awful clarity in Death Valley and the other questions that have emerged from these programs. It is to be a test themselves to our anxieties.

Speaker 2

What's the future for the Balkans, Europe's forgotten frontier? The BBC's Europe editor Katia Adler is in the region to find out on BBC iPlayer.

Audio file

119084-KarlMarx.mp3

Transcript

Speaker 1

The history of economic thinking, now BBC4, in a double bill of the 1977 series written and presented by John Kenneth Galbraith, the age of uncertainty with discriminatory language.

Speaker 2

What writer has had the largest number of professed and devoted followers so far in literary history? The Holy Bible has to be dismissed from the competition. Although referred to by devout men as the Word of God, it is in publishing terms an anthology. That leaves only two contenders, Karl Marx and Muhammad. By any accounting, the followers of Marx now greatly outnumber the sons of the prophet. He was buried here in Highgate Cemetery, London, on March 17, 1883. It is a place of only minor pilgrimage. Until about 20 years ago, Marx's grave was almost unmarked. A near companion is Herbert Spencer, and it's hard to imagine two men who are taking less pleasure in the company of each other. Karl Marx, we should know, was not one but many men, a truly prodigious congregation. The world celebrates him as a revolutionary, the parent of revolution. He was also a very great social scientist. Many would say with justice, the most original and imaginative economist and the most erudite political philosopher of his age. He was also a brilliant journalist. All American Republicans should note with pride that during an exceptionally meager time in his life, Marx was sustained by the New York Tribune, and he was thought its best correspondent. Marx was also an historian with a living sense of history. This was most important. Perhaps it is a sense of history that divides good economics from bad economics. Anyway, I've often thought so. Marx led, and perhaps it would be more accurate to say he made, the revolt against the world that we've been examining in the last two programs. He would have expected us to look at that revolt and the man who made it in their historical context. This is the pleasant house where Marx was born. It is a museum, a modest tourist attraction, a small source of profit for the now rather conservative Rhineland town of Trier. Trier, or Treve, is at the head of the Mosel Valley. In 1818, it was a lovely part of Europe, and it still is. There was much here for anyone with a feeling for history. Once, as Augusta Travorum, it was called the Rome of the North. It was the principal bastion against the German tribes that frequently, until 1945, erupted southward on the Latins. The Porta

Nigra, the Black Gate, is the most impressive Roman relic in northern Gaul. Trier is now part of Germany. In 1818, it was only recently sold. When the Marx family moved to this house, French occupation had just given way to Prussian rule. The casino club here was founded during the French occupation as a literary center, and Heinrich Marx, Karl's father, was a member. The building now houses the French army offices in Priere. No one now much notices the French, but before Marx's birth, the French presence was very important. And so was the transfer back to Prussia. The change was a matter of prime importance for Marx's parents. The French had been comparatively liberal with the ancient Jewish community of the town. Prussia was not. The Marx family, whose ancestors are buried here, was Jewish. Many of the ancestors had been rabbis. As an officer of the high court and the leading lawyer of the town, Heinrich Marx could not be a Jew, so he and his family were baptized. It was probably a purely practical step. By the time Karl Marx was born, the family had ceased to regard religious forms as deeply important. There was another legacy of France to Trier, and that was a general openness to ideas. These included the utopian and idealistic socialism of Saint-Simon and Fourier, and a condemnation of the great and growing differences between rich and poor. At his school here, the young Marx was captured by this mood. It survives in early schoolboy essays, one on the choice of a career.

Speaker 3

The choice of a career should be where one can best work for humanity. Our ashes will then be watered with the gleaming tears of noble men.

Speaker 2

Marx's involvement with religion traces to these years. Both his Jewish antecedents and his conversion to Christianity were in later years to be exceedingly useful to Marx's enemies. Anti-communism could be combined with anti-Semitism. Also, there would be a lurking suspicion that Marx was anti-Semitic. After all, he had been baptized. Some of his writing was very hard on Jews, although he seems to have used the term as a synonym or a metaphor for an avaricious businessman. This was common literary practice at the time, as it had been for centuries. And with all else, Marx was an atheist in a century that took religion very seriously. Not a passive, but an active atheist. In one of his memorable passages, he described religion as the opium of the people. It taught them to acquiesce patiently in hardship and in exploitation when they should rise up in angry revolt. To be Jewish, possibly anti-Semitic, of parents baptized as Protestants in a Catholic land, and to be militantly hostile to religion protected Marx and his followers forever from any threat of religious applause. Marx and religion would be forever antipathetic. To his idealism, the young Marx soon added a strong streak of romanticism. It's a tendency that has been richly nurtured over time by the Rhine and the Mosel. While still in his middle teens, he affirmed his love for Jenny von Wesfallen. Jenny was the daughter of the town's leading citizen, Baron Ludwig von Wesfallen.

Wesfallen was an intellectual and a liberal, and he'd taken a great liking to the young Marx. Walking on the banks of the Mosel, He introduced his young friend to romantic poetry and also to the notion that the ideal state would be socialist, not capitalist, be based on common property, not private property. This was obviously a thought of some importance for the young Marx. At 17, Marx was sent down the Mosul and the Rhine to bomb, to the university. This was then a small academy of a few hundred students, rather aristocratic in tone and also romantic in mood. That was still Marx's mood. He now extended it on from poetry to the related fields of dueling and drinking. Even by the rather relaxed standards of the time, he seems to have been a very idle student. He stayed at Bonn only a year. and then moved on to Berlin. This was much more than a change in universities. It was a change into the very center of German, even European, even Western intellectual life. In Berlin, Marx fell under the spell of the philosopher George Wilhelm Friedrich Hegel. and one group of his university followers, the young Hegelians. Hegel had been dead for five years, but his life force in the University of Berlin remained wholly undimmed. Marx was profoundly influenced, an influence that would last for his lifetime. Hegel is not easy for the Anglo-Saxon or American mind. My feeling for his ideas, I confess, has always been a little insecure. What Hegel called the dialectic was the enduring conflict by which man achieves liberation and perfection, a life ruled by reason. The conflict is between opposites, thesis and antithesis, leading to a new synthesis. Thus from the conflict between savagery and law comes freedom, the new synthesis. But freedom as the new synthesis nurtures new conflicts. History is this process of constant transformation. But it is an optimistic transformation, one that yields eventually the perfect state. Hegel felt the Prussian state of his time came close to that perfection. This was a thought that Marx strongly rejected. For him, the Hegelian transformation had far to go. Modern Marxists are better satisfied with one part of modern Germany, East Germany, East Berlin. How Marx would react to this as a final stage as perfection is much less certain. In his own time, and most of all in Germany, he saw the Hegelian process as highly incomplete. The capitalist synthesis was nurturing the forces that would bring the next conflict the further synthesis. That synthesis for Marx would, of course, be socialism. For Marxists viewing the modern socialist states, watching the May Day parade here in East Berlin, it makes for a very interesting question. Has the Hegelian process stopped? Is it still continuing? Does socialist discipline produce an intellectual antithesis? Does it make scientists, poets, artists, writers, intellectuals into the new antagonistic class? It's a highly pregnant thought to which Marx, if he returned, might well be open. Most modern Marxists are content to have the Hegelian process come to an end with the present state of socialism and its discipline. Neither Hegel nor Marx should be carried to inconvenient extremes. In 1841, Marx left Berlin. He would henceforth himself be a part of the Hegelian process, one of the great instruments of its transformation. He went soon to Cologne, like Trier, also recently redeemed from France, and more liberal for the experience. In France, what wasn't prohibited was permitted, but in Prussia, what wasn't permitted was prohibited.

In this environment, Marx became a journalist. and he was an immediate success. He was a good journalist, careful, intelligent, intense. His language was varied and resourceful, with much indication of the solid power to come. The Rheinisches Zeitung was being financed by the rising industrialists of the Rhine and the Rohr. For them, Marx was a force for progress, An apostle of the modern economic world, liberalism, freedom of enterprise, if that was the choice, as opposed to the dead hand of feudalism, with all its restrictions and restraints. They soon made him editor. He was also a force for moderation. The word communism, though still indistinct as demeaning, was now coming into use. Marx described some of the contributions to his newspaper.

Speaker 3

Scrolls. pregnant with world revolution and empty of thought, written in slovenly style and flavored with some atheism and communism which these gentlemen have never studied. I declared that I considered the smuggling of communist and socialist ideas into casual theater reviews was unsuitable. Indeed, immoral.

Speaker 2

Marx, quite possibly, should be brought back to deal with some modern radical literature. Under Marx, the paper grew in circulation and in influence over Germany, and in interest to the censors who thoughtfully reviewed the proofs of each issue each night before it went to press. They were constantly disturbed, but especially by Marx on dead wood. Wood was a metaphor of Marx's thought of the time. Anciently, the people of the Rhineland had gone to the forest for firewood. Now wood had become valuable and the right was withdrawn. Public property had become private property. David McClellan, to whose fine biography of Marx I'm very much indebted, tells how the cases against wood and against the wood collectors clogged the courts at the time. Marx thought private property ought to be defended with some discretion.

Speaker 3

If every violation of property without distinction or more precise determination is theft, Would not all private property be theft? Through my private property, do not I deprive another person of this property?

Speaker 2

In these same months of 1842, Marx came to the support of old neighbors, the wine growers of the Moso Valley. They were suffering severely from competition under the Sulfurine, the common market that the German states had recently adopted. Again, no one will think his solution extreme.

Speaker 3

To resolve the difficulty, The administration and the administered both need a third element, which is political without being official and bureaucratic. An element which at the same time represents the citizen without being directly involved in private interests. Now this resolving element, composed of a political mind and a civic heart, is a free press.

Speaker 2

So there was Marx, the defender of freedom of the press. He also, in his columns, criticized the Russian czar and urged a more secular approach to divorce. Obviously, this sort of thing could not go on. In March 1843, the Prussian government cracked down, suppressed the paper. Physically, Marx's German years were now over. In spirit, he would return to Germany again and again. Wherever Marx might be, his thoughts would return to the land of his birth and of his education. And before leaving this time, he forged a new tie. He went to Cruznach and married Jenny. A little earlier, she had written to urge him, come what may, to keep clear of politics. That was indeed a slender hope. By autumn, Marx and Jenny were in Paris, at the very center of the political life and debate of the age. Here all that was new began, or so anyhow it seemed. The Great Revolution was only 50 years in the past, that of 1831, only 12 years before, and that of 1848, less than five years ahead. The streets of Paris were full of refugees from Prussian censorship and repression, and many were young revolutionaries as now. Marx and his wife lived here on the left bank in the Rue Veneaux. The Marx family lived at several addresses along this street for the longest time here at number 38. Once he was settled here in Paris, Marx got ahead with his next journalistic enterprise, the editing of the Deutsche Fransogische Jarbucher, the German-French yearbooks, really a magazine. By calling it a book, He hoped to avoid censorship. The reference to France in the title was a gesture. Though he was here in Paris, Marxist thoughts at this time are almost wholly on Germany.

Speaker 3

In France, every class of the people is politically idealistic and is not primarily conscious of itself as a particular class, but as a representative of general social needs. The proletariat is only beginning to exist in Germany through the invasion of the industrial movement. Thus, we are now starting to begin in Germany when France and England are beginning to end. When all interior conditions are fulfilled, the day of German resurrection will be heralded by the crowing of the Gallic ****.

Speaker 2

I judge him to be saying only that change in Germany, peaceful or otherwise, would follow change in France. However, the Prussian police were very sensitive men. They decided that this was dangerous stuff. So the first double issue of the yearbook was confiscated at the border. There were now no German readers. There never had been

any French readers or contributors, so the publication was obviously in trouble. Marx by this time was also quarreling with his fellow editor. So the German-French yearbook came to an end. The first issue was the last. In the next weeks, however, something more important happened. A traveler arrived in Paris and came to see Marx. It was Friedrich Engels. There had been a previous casual encounter, and now they met in a cafe, talk, met again, talk further, and formed what was to be a lifelong bond. Engels would be Marx's editor, collaborator, admirer, and banker of last resort. But Marx's life was not spent talking in the cafes but in these rooms. Marx now settled down for a period of serious reading and study, perhaps the most intense. of his life. This was the time when many of the ideas which were to dominate his later years took form. One I think I should mention in particular, it has variously been called economic determinism or the materialist conception of history. For Keynes, ideas were the motivating force in historical change. Marx carried this a step further back. The accepted ideas of any period are those that serve the dominant economic interest.

Speaker 3

Political economy starts from labor as the very soul of production, and yet it attributes nothing to labor and everything to private property. Intellectual production changes its character in proportion as material production is changed. The ruling ideas of each age have ever been the ideas of the ruling class.

Speaker 2

I must say I've never thought that Marx was wrong on that proposition. Social truth in our time has a fairly remarkable way of serving important economic interest. While studying here in Paris, Marx continued his writing, and he was still much preoccupied with Germany. His writing outlet was now Forwartz, forward, which was the organ of the German refugee community here in Paris. The censors were still on guard, and in another less than pithy comment, Marx said.

Speaker 3

It must be admitted that Germany as a vocation to social revolution that is all the more classic in that it is incapable of political revolution. For as the impotence of the German bourgeoisie is the political impotence of Germany, so the situation of the German proletariat is the social situation of Germany. The political soul of revolution consists in a tendency of the classes without political influence to end their isolation from the top positions in the state.

Speaker 2

To translate and defuse that rhetoric, Germany resists peaceful social change, so it invites revolution. One yearns for an age when policemen were aroused by thoughts like that. But the Prussian police were aroused. They complained to the French authorities

to harbor a writer, such a writer was not a neighborly act. It called for a friendly fraternal gesture of repression. So Guizot, the French Minister of the Interior, issued an order for Marx's expulsion. That was on January 25, 1845. And on 24 hours notice, the Marx family, there was now a baby girl, departed for Brussels. Brussels was a pleasant helm, also a base for more travel, to England to continue his association with Engels and for meetings of the newly founded Communist League. For the Communist League in 1848, Marx, with Engels, composed the tract that after 125 years still rings in men's ears. That was the Communist Manifesto.

Speaker 3

The history of all hitherto existing society is the history of class struggles. Freeman and slave, patrician and plebeian, lord and serf, guild master and journeyman, oppressor and oppressed, stood in constant opposition to one another, carried on an uninterrupted, now hidden, now open fight. A fight that each time ended either in a revolutionary reconstitution of society at large or in the common ruin of the contending classes.

Speaker 2

The Communist Manifesto was incomparably the most successful political tract of all time. To this day, when politicians proclaim their program, the organ tones of the manifesto, if not the content, sound through the hall.

Speaker 3

It, the bourgeoisie, has created enormous cities, has greatly increased the urban population as compared with the rural. and has thus rescued A considerable part of the population from the idiocy of rural life. During its rule of scarce 100 years, it has created more massive and more colossal productive forces than have all preceding generations together.

Speaker 2

The manifesto is not without contradictions. There is in fact none between Marx's praise of capitalism and its accomplishments and his promise of its extinction. These are different stages in the historical process. Nor, as pedants have suggested, is there any real conflict between his call for action and the revolution that he held to be inevitable. Why not advance the inevitable?

Speaker 3

The communists disdain to conceal their views and aims. They openly declare that their ends can be attained only by the forcible overthrow of all existing social conditions. Let the ruling classes tremble at a communistic revolution. The proletarians have nothing to lose but their chains. They have a world to win. Working men of all countries unite.

Speaker 2

But there is conflict between his immediate program and his hope for revolution. The program, by all modern standards, is a collation of reformist measures, the kind of action that helps make capitalism more tolerable.

Speaker 3

The revolution, in consequence, less imminent, a heavy progressive for graduated income tax, free education for all children in. public schools, equal liability of all to labor, establishment of industrial armies, especially for agriculture, combination of agriculture with manufacturing industries, gradual abolition of the.

Speaker 2

Distinction-- In one way or another, in the advanced capitalist countries, much of this got done. And these reforms did help to take the raw edge off capitalism, did without doubt have the effect of postponing that forcible overthrow of all existing social conditions. for which Marx had hoped. Thus did Marx the reformer defeat Marx the revolutionist. The revolution, when it came, came in those countries, Imperial Russia, China, where the reforms Marx urged were never known. By 1848, as a subversive, Marx was at the head of all the police lists. The Belgians, though more liberal than their neighbors, were also nervous about harboring so dangerous a man. But on almost the same day that he was expelled from Brussels, he was invited back to France. That was because 1848 was the year of revolutions in Berlin, Vienna, Prague, and here in Paris. Many people still connect that year with Marx and the manifesto. Neither had an appreciable influence. The revolutions came, but the words of the manifesto were still all but unknown. All revolutions have a geographical center. The French Revolution had its center, its great center on the Place de la Bastille. And the Revolution of 1848 for a Marxist was centered here on the Luxembourg Gardens. It was a most unlikely setting for a revolution, a bit, I suppose, like having a revolution in Regent's Park or even on the Boston Common. Actually, it was a place where the revolutionaries were segregated and kept talking. The Commission of Labor, the Luxembourg Commission, looked into the grievances of workers, heard talk of socialism, an end to private property, and the children remained at play outside. Everything here, it was hoped, would be harmless While elsewhere in Paris, the forces of conservatism, law and order, consolidated their positions. The statue of Alexandre Ledru Rolla on the Hotel de Ville still reminds one of the ambiguities of the revolt. Once seeing a crowd pass his window, he exclaimed, I must follow them, for I am their leader. A modern note there. In 1848, he called out the troops to subdue the revolutionaries. There was ambivalence even in the selection of the flag. The provisional government rejected the red flag, the established badge of revolt. The tricolor was thought better for the public credit. Such was the revolution of 1848 in Paris. The blood would not be in the revolution, but in stopping it. This might be

a good time to reflect on the nature of revolution, what it takes to make a revolution successful. Revolution is a word that comes very easily to our lips. If conservatives knew how hard it is to have a revolution, they would be far less worried than they are about the danger. They're far, far safer than they know. Three conditions are absolutely essential. There must be determined leaders, men who know exactly what they want, men who know that they have everything to gain, and also that they have everything to lose. They must have disciplined followers. Men who will accept orders won't think for themselves. It's my impression that this also is inconsistent with the revolutionary tendency. People who participate in revolutions do want to think for themselves, well that can't be allowed. And finally, the other side must be weak. All revolutions are the kicking in of a rotten door. They're by men who charge ruthlessly into a vacuum. All of these three conditions were present in the Russian Revolution of 1917. All three conditions were present in the Chinese Revolution after World War II. And all of these three conditions were absent here in France in 1848. Underlying authority was strong and quickly reasserted. Eventually, the workers did leave the Luxembourg, marched to the Pantheon nearby. Then on to the classic gathering place of revolution across the river, the Place de la Bastille. whose tall column commemorates the revolution of 1830. Barricades were erected in the great Paris tradition and supporters swarmed in from all the city. In the battles of late June 1848, the June days, the revolutionaries were driven back and their barricades overcome. 500 revolutionaries lost their lives in the fighting and 3,000 more were executed. Prisoners were taken and initially they were shot, but the neighbors around objected to the noise, so they were put to the bayonet instead. The massacre extended here to the gardens. And according to legend, in another thoughtful gesture, the gardens were kept closed for several days until the blood was washed away and the mess was cleaned up. By then, Marx was again on his way. He had never had much hope for the success of the revolution, but he did write its epitaph.

Speaker 3

The Paris workers have been overwhelmed by superior forces. They have not succumbed to them. The momentary triumph of brutal violence has been purchased with the fracturing of the French nation into two nations. The nation of the possessors and the nation of the workers. The tri-color republic now bears only one color. The color of the defeated. The color of blood.

Speaker 2

Marx had been without hope because he thought the revolutionary sequence was wrong. He was unquestionably confirmed in his view that the bourgeois revolution, the capitalist revolution, had to come first. And then, and only then, could the true revolution of the workers succeed. Marx went on to Cologne. to another brief job as an editor. In Cologne, he was still a voice for moderation, let there be no reckless, adventurous action by workers that would lead only to disaster. He was not heard. In

Germany, too, revolutionary rhetoric was far in advance of the reality of power, and the revolt was crushed. Still, there was change. Before 1848, the old feudal classes and the new capitalists were in conflict. After 1848, they were united against the new threat of the workers and they would stay united until the great ungluing of World War I. Nowhere would the Union be more secure than in Prussia, where Marx had his greatest hopes for revolutionary success. Moderate or not, Marx was now sent packing again. He gave thought to going to the United States, but he didn't have the money. Who will say how much he was missed? It had to be London, his last move. He crossed the channel on August 24, 1849. Behind him were several lifetimes, and he was all of 31. Before him lay three great tasks, forming the ideas that would guide the masses in revolution, creating the force that would bring the revolution, and making a living. All would be accomplished by words from his pen, a literal sea of words. Mark Scott financial help from Engels and from other friends there was an occasional inheritance windfall from Trier and there was the New York Tribune 1857 when times were lean the Tribune fired all of its foreign correspondents but two and Marx was one of the two that was kept but Marx was a terrible hand with money where before his movements were at the behest of the police now They were in advance of angry landlords and angry creditors. Thus, further migrations ending up at last at number 28 Dean Street, Soho. Children came, six in all, and three of them died in the squalid, crowded rooms on the second floor. Marks continued to attract the thoughtful attention of the Prussian police. In 1852, a wonderfully literate police spy sent to Germany an account of the Marx menage.

Speaker 1

As father and husband, Marx, in spite of his wild and restless character, is the gentlest and mildest of men. Marx lives in one of the worst, therefore one of the cheapest quarters of London. He occupies 2 rooms. The one looking out on the street is the salon and the bedroom is at the back. In the whole apartment, there is not one clean and solid piece of furniture. Everything is broken, tattered, and torn with 1/2 inch of dust over everything and the greatest disorder everywhere. He is jealous of his authority as head of the party. Against rivals and adversaries, he is vindictive and inexorable. He will not rest until he has ruined them. Dominating trait of his character is a limitless ambition and love of power. In spite of communist equality, which he keeps up his sleeve, he is the absolute ruler of his party. In fact, he does everything on his own, and he gives orders on his own responsibility and will endure no contradiction. All this, however, concerns only his secret activity and the secret sections. At public meetings with the party, he is, on the contrary, the most liberal and the most popular of them all.

Speaker 2

It is known that great men come from log cabins. Likewise, great events begin in commonplace buildings. Over this Soho pub, the German Workers Education Association met pioneers in the idea of world revolution. from here on to the Kremlin

and the Great Hall of the People. In time, the Marks family got away from their squalid quarters. In 1856, a small inheritance from Germany allowed to escape, as Jenny Marks wrote, from the evil, frightful rooms which encompassed all our joy and all our pain. They moved to a suburban villa in Hampstead, then a brand new real estate development. There were more financial crises, but the worst was over. In later years, Marx had a wholly adequate income by the standards of the time. In the three decades that he lived in England, he had something more important even than income, although income is not a negligible thing for those who do not have it. He had nearly complete security in thought and expression. This was something that the governments under which Marx had previously lived had some difficulty in appreciating. In 1850, the Austrian ambassador protested to the British government that Marx and his fellow members of the Communist League were engaging in all kinds of dangerous discussions, including even the wisdom or unwisdom of regicide. He received a wonderfully insouciant reply.

Speaker 3

Under our laws, mere discussion of regicide So long as it does not concern the Queen of England, and so long as there is no definite plan, does not constitute sufficient grounds for the arrest of the conspirators.

Speaker 2

As a conciliatory gesture, the British Home Secretary did say he was prepared to assist the revolutionaries financially in emigrating to the United States. Again, Marx didn't go. In London, he had another great resource, one that has been much celebrated. That was the library of the British Museum. It was in the British Museum that Marx wrote his enduring testament, capital, Das Kapital. To summarize the central thesis of capital must seem presumptuous. Yet if one gives only conclusions, not supporting argument, it is not impossible. Ricardo, as I hope some will recall, gave the world the labor theory of value, the proposition that the value of a product is based on the value of the labor needed to make it. Further, said Ricardo, there would be an ineluctable tendency for wages to fall to the lowest level necessary to sustain life. Landlords would do well, but workers would only just survive. Where Ricardo left off, Marx began. For Marx, the value that labor gave a product became a right, a thing to which labor was entitled. What labor did not get was what Marx called surplus value. This surplus value, profit more or less, was available to the capitalist for investment in plant and machinery as industrial capital. The capitalist was now the beneficiary, not the landlord. But Ricardo's iron law of wages still applied. Capitalists prospered, workers lived at subsistence level. Wages were kept down by unemployment. The unemployed were an industrial reserve army, always awaiting jobs, always keeping down wages. If the capitalists should re-employ all this labor, wages would rise. Profits would then fall. Production would cease to be worthwhile. There would be a crisis, later called a depression. And the unemployment

that workable capitalism required, in Marx's view, would be restored. The profits of the capitalist would be used for investment, also by the large capitalists to gobble up the small ones, the process of capitalist concentration. In consequence of this concentration, individual capitalists would grow bigger and stronger, but the system as a whole, since its political base rested on ever smaller numbers, would become weaker. This weakness, in combination with a falling rate of profit and the increasingly severe depressions, would make the system progressively more vulnerable to overthrow. Confronted by the disciplined proletariat it created, it would be overthrown.

Speaker 3

Along with the constantly diminishing number of magnets of capital, who usurp and monopolize all advantages of this process of transformation, grows the mass of misery, oppression, slavery, degradation, exploitation. But with this too grows the revolt of the working class, a class always increasing in numbers and disciplined, united, organized by the very mechanism of the process of capitalist production itself. The monopoly of capital becomes a fetter upon the mode of production which has sprung up and flourished along with and under it. Centralization of the means of production and socialization of labor at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder! The knell of capitalist private property sounds. The expropriators are expropriated.

Speaker 2

You see the carbuncles on Marx's face. He once warned the capitalists that they would suffer for them. There was for capitalists one comfort. Their end would come not with a whimper, but with a wonderful bang. The first volume of Capital was not published until 1867, and the second two volumes were not published in Marx's lifetime. They were completed from notes by the ever faithful Engels, could have been completed by no one else. One reason for the delay was the early poverty and struggle. Another was scholarship. Marx was incapable of writing anything until he had read everything. Another reason was the endless swirl of discussion and debate and polemic in which Marx lived. In these years also, Marx was laying the foundations for the revolution, which he hoped but never quite believed was imminent. His instrument was an organization that would link together the workers of the industrial countries, those proletarians who, as Marx powerfully averred, knew no motherland. Now known as the First International, This revolutionary instrument was born in London on September 28, 1864, at a meeting attended by some 2,000 workers, trade unionists, and assorted intellectuals from all over Europe. A council was selected to which Marx became the secretary. The resolutions that were actually passed by the International, calling for limitations on working hours, state support for education, nationalization of railways, were not very revolutionary. Reform was again the nemesis of revolution. And revolution had another nemesis, and that was nationalism. In 1870, Bismarck, who had once

made overtures to Marx to put his pen at the service of his fatherland, went to war with Napoleon III. In a prelude to the vastly greater drama of August 1914, The proletarians of the two countries rallied to the defense, as they saw it, of their homelands. The Franco-Prussian War and the siege of Paris were reported with much of the avidity with which modern disasters are enjoyed. The New York papers were very much interested. On March 1st, 1871, the German army made its triumphal march down the Champs-Elysees. Outrage at the incompetence of the old rulers, knowledge that the wealthy had departed Paris, offended pride, memory of the recent hunger and hardship, all combined again to bring revolt. It started here on the heights of Montmartre. The troops of the Republic sought to secure the guns that rightly they did not trust in the hands of the Parisian National Guard. In 1968, I went one night to the barricades put up that year on the left bank. History, I realized with some pleasure, is not over. For the Paris Commune, Marx had slightly more hope than in 1848. But once again, the aims were incoherent, the leadership ambivalent, and also Paris was not all France. Marx was eloquent on President Pierre, who crushed the commune, a master of small state roguery, of virtuoso and perjury, never scrupling to fan a revolution and to stifle it in blood. The savagery was formidable on both sides. On May 21, 1871, the troops of the Republic entered the city. Soon much of Paris lay in ruins. It was a workmanlike job of destruction even by modern standards. Some 20,000 revolutionaries were killed and 750 government troops. 38,000 were later arrested and 7,000 sent into exile. The last battle was fought among the monuments of Pere Lachaise. When it was over, Marx sent a final saddened address to the Council of the dying First International.

Speaker 3

Workingmen's Paris with its commune will be forever celebrated as the glorious harbinger of a new society. Its martyrs are enshrined in the great heart of the working class. Its exterminators, history has already nailed to that eternal pillory from which all the prayers of their priests will not avail to redeem them.

Speaker 2

Marx was indulging in wishful thought. Memory is not that long. But with the liquidation of the commune, the first revolution to use, however inaccurately the root word communism, came to an end. It was the only such revolution that Marx was to see. After the Paris Revolt, Marx continued his work. He also remained the high, although not the undisputed, judge of socialist thought. In 1875, the working class parties of Germany agreed on a program that deeply displeased him. Reform once again replaced revolution, but he also warned that for true communism, the old scar tissue of old capitalist thought must first disappear. Only then would come the great day when society would inscribe on its banners.

Speaker 3

From each according to his ability, to each according to his needs.

Speaker 2

Maybe these 12 words. converted as many people to communism as all the other millions that Marx wrote in his lifetime. The last years were not for Marx a happy time. In December 1881, Jenny died. A few months later, the first and best beloved of his daughters also died. Distraught and very lonely, Marx too ceased to live. And on March 14th, 1883, with Engels at his side, he died. No one else would so march on from the grave. 50 years after Marx published Capital, the first great revolution took place in his name in Russia. There have been more since. I often thought that another Marxist legacy is almost as important. That is the emphasis he gave to the role of economic institutions in shaping political and social thought and action and in doing so in all societies, what scholars have come to call economic determinism. How we make our living goes far to explain how we act, what we believe, the way we are governed, and the passions we display. And this lesson is a gift of Marx to Marxists and to non-Marxists alike.

Speaker 1

More ideas in the understanding of economics as the age of uncertainty continues next on BBC4.

Audio file

119091-LandandthePeople.mp3

Transcript

Speaker 1

What causes people to be poor?

Speaker 2

It's an interesting question, and I suppose there's no question concerning the human condition for which so many answers are given with so much confidence.

Speaker 3

It is said that the people lack energy and ambition, or the country is poor in natural resources, or their economic system, capitalism, socialism, communism is wrong. Or the economic policies of their government are ill-conceived.

Speaker 2

Or they're otherwise misgoverned. Or there's no will to save and invest. Or education is inadequate. There's a shortage of technical and scientific and administrative talent. Or race is involved. Being poor whites or blacks or aborigines or Asians, they're too easygoing or shiftless. Or their religion encourages waste or precludes effort. Or they're exploited by the rich countries. Or there's the legacy of colonial exploitation and humiliation from the past. Every day, in every part of the world, one or another of these explanations is offered very seriously. Poverty is a ghastly affliction, worse in the suffering it causes than any disease. And we should know which, if any, of these explanations has merit. There's no one answer, obviously, but it's because so many explanations have a little truth that so many are offered. But one cause of poverty is pervasive, and that is the relationship, past or present, between land and the people. we understand that, we understand the most important cause of poverty. The reason is simple and direct. Everything that allows of the first escape from privation, food, clothing, elementary shelter, comes from the land. If these needs cannot be met, there is poverty. If these things cannot be increased in relation to the numbers of people, then the poverty endures. We think of the New World, the Americas, as a favored region where the relation of land to people is, on the whole, benign. This is far from being true. There is no place where the relationship between people and land has developed with more equivocal results than south of the Rio Grande in Mexico. And not even in the

Scottish Highlands or Ireland did a more ruthless correction occur than in modern times in the southern United States. But first, the case of Mexico. In Mexico, the Europeans found a highly developed culture. In the years before Columbus, Tenochtitlan, the city of the Aztecs, had a splendor rarely equaled in Europe. The pyramids of the sun and the moon tell of the natural forces on which life here, as everywhere, depended. The Aztec society was led by priests, and it supported a noble caste. But the base of its pyramid was formed, as always, by those who worked the land. There are still distant reminders of that agriculture. Where Mexico City now stands, as all know, was once a lake. And within the lake were floating fields, still to be seen here at Chachamico. These waterborne farms provided just enough to support a family. Aztec culture did not embrace, certainly not fully, the notion of private property and land. Although for mankind over history, it's been an easily acquired concept. Land was worked cooperatively, and what was guaranteed and protected by authority by the gods was not private property, but the right to participate, to share in the work and the food. The history of land in Mexico in the 450 years after Cortes illustrates almost every aspect of the relationship of land to people. and to poverty. Spanish colonialism, we saw earlier, had definite, explicit form. The rescue of souls was one purpose, and the enrichment of the crown and the colonists was the other. The colonists were granted great tracts of land, and with the grant went the right to extract revenue from the Indians and the right to extract labor too. European feudalism was imported into the New World in a wholly precise and forthright form. The classic institution of Mexican feudalism was the hacienda. It was inward-looking, self-sufficient, governing, directing its own labor force. This hacienda stretched to the mountains around. In Mexico, acreage was always more important than quality of cultivation. After independence in 1821, the haciendas were further enlarged at the expense of the communal lands of the people. By 1910, 95% of the farm families had no land at all. 5% owned nearly half of Mexico. 17 families owned nearly 1/5 of the country. The privileged have regularly invited their own destruction with their greed. The authentic voice of the landless poor was Emiliano Zapata. Other leaders were intellectuals, even landowners. He was from the soil. The explosion of which he was so much a part came in 1910. Mexicans like to say that theirs was the first of the 20th century revolutions. Certainly it was the first revolution ever to be captured on film. And it did change not a government, but a social structure. Zapata's cry of land and liberty, anticipated by 7 years, Lenin's slogan of peace, bread, and land. The Mexican Revolution, though real, lasted a long time, as have these railway coaches, which ever since have stood on the tracks here at Coahutla. There is another monument at Coayutla to Zapata, its son. As was thought appropriate to a hero, as to a saint, it is in gold. Eventually, much in the 1930s by Cardenas, the land was returned to the communes, to the ajitos. The great houses and the haciendas remained the symbols of all that was hated, and they were allowed to fall into ruin, and only the shells remain. The people on the Haciendas were poor, needless to say. The restoration of the Ajitos did not make them rich. There remained too many people, too little good land,

and very little capital to pay for improvement. And the ghost of Thomas Malthus also walked here. When there was improvement, there were more people to consume. So an equilibrium of poverty remained. and it still persists. It is with this problem that the people and the government of Mexico now contend. That irrigation, hybrid grains, machine cultivation, fertilizer can increase agricultural output is not in doubt. But if people are poor, all that is produced is consumed. Nothing remains to spend on seed stock or on fertilizer, which is vital and expensive. And there is a further problem. Small communal holdings lend themselves well to social idealism, but badly to machine cultivation. Where money, space, land are available, Mexican agriculture is as progressive as any. The Green Revolution was born here in Mexico's experimental stations. It was for the work in Mexico on grain hybrids, that Norman Borlaug won the Nobel Prize, and it was work of the highest level of compassion, work that has already saved millions from hunger, disease, famine, and death. But the Green Revolution does not alter the lesson of Mexico. Where capital and land are not available, the equilibrium of poverty continues. It can be broken in only four ways. One is to provide more land, which is a hard thing to do. The second is to invest in improved cultivation, and we've just seen the difficulties. The third is birth control, which is a further story in itself. The 4th solution is for the people to leave. To leave is a decision the individual can take for himself. It requires very little money. In Mexico, it means Mexico City and too often unemployment. So better the United States across the border to Texas or California. You get sent back a few times, but in the end, you make it. In the southern United States, the lesson of land and people continues. It's a mistake to imagine that the equilibrium of poverty belongs only to the history of the third world. But here the equilibrium has been broken.

Speaker 1

We think of man's search for food as a great force for change. Clothing has, in fact, been far more important. The search for silk sent traders to India and China. Machine spinning and weaving of cloth made the Industrial Revolution. And the resulting demand for wool was what turned the north of Britain over to the sheep. Textiles first made Japan a power in world markets. In 1794, Eli Whitney, a Yankee, solved the problem of getting cotton seeds out of the cotton fiber in which they were very closely entangled. A saw tore off the fiber, and the cotton gin and the new textile machinery then created a vast demand for cotton. The further result was to revive slavery, especially in the South and especially here in Mississippi. Previously, slavery had been economical only for a few crops, tobacco, rice, sugar, and men with a reputation for foresight, the self-appointed futurologists of that time had been saying that it would soon be obsolete and it would soon disappear. Thanks to Whitney and the cotton gin, slavery now had a huge, wonderful revival.

Speaker 2

Here below the levees, the influence of cotton, sometimes sugar, was most profound. The plantation brought the people here, organized their lives, housed them, possessed them. To make a cotton crop, a cotton crop, I must tell you, was always made, not grown, required gangs of labor for planting, chopping, picking, and labor productivity was maintained by the voice and the whip of the overseer. There have been radically different views of the slave. To the antebellum planter, he was a happy, feckless child protected in his or her innocence by the wise owner. To the abolitionist, in many sense, the slave was a dehumanized, ruthlessly exploited piece of flesh. His enslavement saved the planter from the penalties of his own incompetence, his inability to survive in a free enterprise world. In a very recent view, the slave was a valuable piece of property, serving in a profitable enterprise. So he was fed well, treated with decency, given medical care when sick. Free workers at the time, it is argued, were no better off. This last argument rests, it appears, on some rather dubious statistics. Also, not many free workers applied to be slaves. In the northern states, the farmer owned and farmed his own land, reaped gain and suffered loss. So his was the whip on his own back. There were no mansions like this. The classical motif on the southern plantation is worth a thought, a conscious or unconscious imitation of Greece. another society that also proclaimed its democracy and was also a leisured aristocracy based on disenfranchised slaves. As to the slaves, Well, the downtrodden have always had a formula for dealing with the burdens and cruelties of this world, and it's to tell themselves of the rest and the peace that will be theirs in the world to come.

Speaker 4

In the cross, in the cross, be my cross, ever, till my rest. Your soul shall find Red beyond thy river Amen. Oh, yeah. I feel good, y'all. I do. I feel good.

Speaker 2

However it might be organized, the old cotton economy was an equilibrium of poverty. The Civil War came, slavery went, and cotton production was quickly restored. By 1877, cotton production was higher than before the war. But the basic relationship of people to land remained unchanged. The equilibrium of poverty was not broken by the freeing of the slaves. The former slave now got a share of the crop, sharecropping. The landlord furnished him his food with the furnish to be repaid out of the next crop. Before, the worker was enslaved by law, now by debt, and also the absence of anywhere else to go. The central fact of the South was still people and land. Even had all revenues been equally divided between planter and sharecropper, all would still have been poor.

Speaker 1

Before World War II, there were 764,000 blacks in the farm labor force of the southern states. By 1970, 30 years later, there were only 160,000, only about a fifth as many. Mississippi was the greatest of the cotton states. And in consequence, the equilibrium

of poverty was here the most highly developed of any state. And in further consequence, Mississippi was the poorest state in the whole union. Before World War II, Mississippi had 107,000 black farm workers. In 1970, there were fewer than 18,000. It was no longer economically necessary in the South to have a poor, docile, badly paid, exploited labor force. Civil rights for blacks had become economically feasible. Again, we see the influence of economics on morals and civic behavior. The effect of economics in this case, I would put slightly above that of both the Congress and the Supreme Court.

Speaker 2

The equilibrium has now been broken. Some of the old plantation families have survived to see it happen. Machinery, the cotton picker especially, replaced the people. This giant tube inhales the cotton for the plantation's own gin. Now the planters possess not people, but machines. Not only did machines replace people, but cities became an alternative. And so today the migration is over. That is because there are very few rural workers left to go. In fact, in recent years, some have returned, although not to the farms. Nothing speaks so of romance, is so celebrated in essays, verse, and sermons as the love of people for their land. These people were not attached to this land, and it was a good thing perhaps. The South has changed, but the great river remains, and the remnants of the old cotton culture are now here for the tourists. So far, we've been looking at the dark side of the moon, but there was a better relationship between land and people, and to see it, we come to a landscape that I know very well, Port Talbot, on the Canadian shore of Lake Erie. Port Talbot is the slightest center of waterborne commerce in all the world. In the last 100 years, all of the commercial cargo it has received could have been carried in a rowboat. And there has been no rowboat. But this notable non-port has also its lessons on land and people. In 1803, a young Irishman fresh from the king's service, arrived on this scene, on this shore. His name was Thomas Talbot. He is buried here, two or three miles from Port Talbot. It's a small and beautiful place. The colonists were from the Scottish Highlands, a race of which Colonel Talbot greatly disapproved. They make the worst settlers, he once said. English are the best. But the Scotch, as my forebears call themselves, were then available in considerable volume. You remember the Highland clearances, the people expelled to make way for the sheep. Many who were so cleared ended up here. In Mexico and the American South we've seen, land was handed out in huge blocks. Political power then went with ownership and acreage. Democracy was impossible, aristocracy inevitable. And it could have happened here. Each settler coming to Port Talbot was given 50 acres, provided Colonel Talbot liked his appearance, was sober that day, and otherwise in a good mood. For dividing the land into 200-acre lots and laying out the roads, the colonel kept the other 150 acres. Here was the beginning of landlordism on a huge scale. But here, democracy was saved. The colonel had no troops. He couldn't hold out against the settlers who soon wanted and got the acres

next door. So there was no separation between landed and landless. All demanded and received a share in government. The landless did not accumulate in an equilibrium of poverty. And among the families so favored was mine. It was to this lovely old farm under the hill that the primordial galbrace came from Argyle. We always called it the old homestead. The sun shone in from the south and the north wind was kept out by the hill, and everything ripened a bit earlier and better than anywhere else. This is how people lived a generation or so after they arrived. We always heard how brave they were to face the wilderness. The bravery was for those who didn't come. This was the farm of my parents. There were 100 acres here, along with another 50 up the road. Our shorthorns were modestly famous, and they led me briefly to a career in animal husbandry. I took my first degree in that subject at the Ontario Agricultural College, and a number of people have always wished that I might have remained with this field of study. This farm is, I believe, unremarkable, although it certainly didn't seem to me so when I was young. It seemed to me a lovely place. marred by a certain number of rather tedious chores, there's only one advantage in being born on a working farm, a farm where you'll have to make a living, and that is that nothing ever afterwards really seems like work. From these farms, and others across the border in the United States, came the last of the great adventures in colonization, the settling of the Canadian West. It's surprisingly recent. When I was a youngster here in Ontario, people were still pulling up steaks, that is what they called it, and moving to Manitoba, Saskatchewan, and Alberta. Until almost that time, the Canadian railroads still had colonist cars, bunks and benches and stoves on which families could cook, all designed to ferry people to the west at the lowest possible cost. The Canadian westward movement completed what may well have been the most important single economic development of the last century. That was the occupation of the great empty grain growing lands of the world by Europeans. The United States, Argentina, Australia, the Canadian prairies, these lands now produce a fifth of the world's bread grains and most of the exportable surplus. There is a vision of the world which has the poor, densely populated countries of the third world tilling the soil, supplying food and materials for the industrial lands of North America and Europe. It is the reverse of the reality. As suppliers of food, Canada and the United States are the first of the third world countries. This food goes to India to feed people caught up there in the equilibrium of poverty. Of the Scotch with whom I grew up, none was rich, but few were poor. All had property, farms, houses, and my youth a Model T beyond the dreams of those who remained in Scotland. But even from the favoured Ontario countryside, some people had to go.

Speaker 5

Well, I'll pack my clothes in a carpet sack I'll go out there and I'll never come back I'll find me a husband and a good one too If I have to go to the Caribou.

Speaker 6

One by one, we'll all clear out Begin to better ourselves, no doubt Care a little how far we go From the old, old folks of Ontario One by one, we'll all clear out Begin to better ourselves, no doubt Care a little how far we go.

Speaker 2

Coming to Canada, the settlers came to empty lands. The democratic instinct forced democracy and land ownership, and that helped ensure it in government. The already populated lands were and remain a far harder case. Here, the relationship of people to land is long-standing, half as old as time itself. One such case is the Punjab, the great plain watered by the five rivers that give it name and life and that stretches across northern Pakistan and India. Punjabis mostly own the land they work. Holdings are modest, but they are not microscopic. The lesson here in the Punjab is of the age-old pressure of people on the soil and of the power of tradition and family and religion to make academic the most discussed of all measures for redressing the relationship between crowded land and people, that is, birth control. A modern love story tells it all. A young Punjabi woman is returning home from university to her village and to the man she is to marry. She's returning to the land of her father and to the village and the family traditions that are here the decisive force. All who know this world would share her knowledge of the power of this tradition. It's the rock on which the reforms of many a casual amateur have foundered. You remove the cast marks of that other civilization. Almost automatically, you prepare. It is proper that the bridegroom should watch her arrival discreetly from a distance. It's her father who comes to the bus stop. The greeting at home will be warm, affectionate. Her father has reminded her that she is a woman and at home. She had thought of her return to this world and now it is here real. Many have had this experience, returning from school, from a journey, a long absence, you know the feeling. First the anticipation and then the fact. For her now, the fact. I am a village woman again, village women produce children, In the village, family planning, birth control, their alien phrases. In this culture, marriage is not left to the young. Their judgment is warped by love, so wiser, cooler heads arrange it. Bride and groom meet, but casually, even clandestinely. Their conversation illuminates their hopes and their fears.

Speaker 7

Yes, sir. Pagal kahi ki tum ka sumitu ka iskam me talim ki koi nut nahi bahas nut. Iskam utlabiye ki tum mujhe ki hai ki hai hai. Pyar hai gaon ki shaaro ki tara yaa... . . .

Speaker 2

So she puts the world of the city, the university, behind her. They will be married. She has shown us what happens when the modern world comes to the traditional village culture. She will be valued by her husband for the sons she produces. The assurance

these sons provide that her husband will have support in his old age will not have to toil all of his years in the hot sun. And so the marriage and the children will follow.

Speaker 8

Kavula. Kavula. Kavula. Kavula.

Speaker 2

But first, the wedding feast. Punjab, by Asian standards, is a favored land. Contraceptives, vasectomy, these can be afforded. The Indian Punjab has taken the huge step of limiting the number of children by law. But we see the force of tradition here. And elsewhere in the crowded lands, it is much, much greater. You will ask about land reform. Land can be redistributed. And this is being done in both the Indian and the Pakistani Punjab. But if there isn't enough land to begin with, you only redistribute poverty. So all that remains as a solution is a gain for the people to go. The Punjabis are wonderfully apt students of this solution. In a rational world these diligent, good-natured, mechanically alert, ambitious people would everywhere be wanted. None would be left at home. Is it possible for such people to find, or better still to build, an urban alternative? Can rural poverty be replaced by decent middle-income urban existence? There is some evidence in favor. The Asian offshore islands, Japan and Formosa, Hong Kong and Singapore, all employ the former rural poor. Singapore is the most spectacular case. This city-state lacks every resource, including space. It is 27 miles long, 14 wide, and a moderately ambulatory citizen can easily traverse it on foot in a day. Along with space, minerals, raw materials, food, energy, everything except people is lacking. Because so much is lacking, Singapore does show what is possible. Its modern history begins with the Japanese surrender in 1945. There was an earlier surrender, but only this one is commemorated here in Wax. Then its future was as a British colony or protectorate. And now the remnants of British culture are hard to find.

Speaker 6

But if you want to.

Speaker 2

Feel like a rubber planter down for the week or a Somerset mom on a visit, you can still go to Raffles Hotel. What is it that makes a country that's without land, without material resources, almost without space, actually work and work pretty well for its 2 million people? Provide them with a per capita income that's around nine times that of India, maybe six times that of China? There must be a lesson for the world here in Singapore, and we should know what it is. Location will surely be cited. Singapore is on one of the great ocean crossroads of the world. And for generations, it has been a dividing line. People have said east of Singapore, west of Singapore. But being on a crossroads has worked no similar miracle for Panama or for Suez. I would divide the credit between the

people and the government. The talents of three races, Chinese, Indians, Malays, are blended here, and they work together without the fettering traditions to which they would very often be subject in their home countries. Migrants and their descendants always work better than people who have been too long at home. It's very unfashionable in our time to explain economic development by race or ethnic origin. We carefully avoid it in books, although we take it for granted in conversation. I would attribute much in Singapore to the excellent ethnic admixture. The Mandarins are the Chinese. They bring to Singapore their art, and their ancient experience of organization. Singapore is organized, led by the Chinese. Malays provide the traditional crafts and services, here fishing and here in a national dance. And finally, the Indians. Some are Tamils, a few Punjabis. Indians are traders, lawyers in the professions. Most numerous, the Chinese. An interesting and indispensable man, this, he is Hao Yun Chong, minister for whatever needs to get done. He is the development bank, airline, port authority, head of the civil service, the all-purpose public entrepreneur. And Lee Kuan Yew, the all-purpose politician, he is one of the more remarkable and durable people of our time, also an old friend. Once a few years ago, he decided to take a sabbatical leave from being prime minister and came to Harvard for a term.

Speaker 9

I see you've got a rather strange configuration.

Speaker 2

Here they concentrate on land reclamation, increasing Singapore's scarcest resource and what it costs. And on the port, a uniquely vital facility.

Speaker 9

Work up to per square foot.

Speaker 6

About $2 and. It will cost at least $8 in the port, because the water there is deep.

Speaker 4

Including the shop protection works, I think.

Speaker 2

They are practical men, pragmatic. Which is to say, they test action not according to theory, but according to what works.

Speaker 4

The value of the...

Speaker 9

What is it?

Speaker 4

The price of the value is...

Speaker 9

He's getting more.

Speaker 10

I know he's getting more.

Speaker 2

Ha Yoon Chong reports on the economic prospect. Like all who so report, he says things are getting better. But he adds a sour note or two.

Speaker 9

So we can ignore this one.

Speaker 10

Doesn't make very much difference.

Speaker 9

All right, next. How's your economic indicators?

Speaker 10

I think we are passing through probably the trough. balance, I think we probably have seen the worst. With the coming in of the Christmas, New Year season, I think there will be more. The inventories have been run down completely now. There will be, I think, a slight improvement over the next few months, two or three months.

Speaker 9

So we won't end up with a plus two to three. We'll end up with a plus half to one.

Speaker 10

Plus one to two. I think your prognosis was correct, between one and two.

Speaker 2

The Singapore government contribution is to make pragmatic use of all ideas and to refuse to be the captive of any one idea. Is Adam Smith alive here? The answer is very much. There can be few places in the world where self-interest is pursued more diligently and with more visible enjoyment in the results. Does Keynes survive here?

Also very much. Public and private outlays are related as a matter of course to the availability of workers and the current and the prospective capacity of the economy. The post-Keynesian view of inflation A view with which I've been very much concerned is also treated with real respect in Singapore. Wage settlements are carefully controlled to minimize inflation and keep Singapore products competitive in world markets. When other people talk of an incomes policy, Singapore economists and businessmen and union leaders must surely yawn because they've had one for many years. Is there planning? Is there socialism in Singapore? Have the Webbs and Franklin Roosevelt and Clement Attlee been here? Would Enoch Powell and Barry Goldwater be distressed? The answer again is yes. If housing, the harbor works, transportation, trained people, if any of these are needed or other things, The government provides them. Self-interest serves pretty well as a motivation, but it is recognized in Singapore that it does not serve all purposes and that it serves best within a framework of careful overall planning. Singapore has another virtue. The rhetoric of both free enterprise and socialism is almost completely absent. This is also aesthetically rather a treat. Singapore doesn't lend itself to the starry-eyed voyage of discovery. Success has a price, necessary or otherwise. Some of the rules governing personal behavior have been intrusive and petty. And in a world of soft states, Singapore is a very hard one. Lee Kuan Yew comes here to open Parliament. And Parliament is a very acquiescent body. A parliament, in fact, can be a little like a company board of directors controlled by the management. Large companies are not democracies of their stockholders, nor is Singapore. Commercialization also has its artistic price. This miscarriage celebrates a notable Singapore product. The Tiger Baum Gardens. But let us not be elitist, perfectionist. Something against which we're all warned these days, Singapore does provide its people with a decent and very agreeable existence.

Speaker 3

Singapore does show that there can be a solution to the problem of many people and too little land. Many people do live here and live very well on very little space. The concept of a city-state is valid and workable. But we had better not suppose that it is a safe or an easy solution. For one thing, it requires peace. Singapore must have friendly, well-disposed neighbors. War almost anywhere could be a disaster. And everything depends, too, on the continuing good sense of the government and the people. Change anywhere else in the world, recessions, inflation, alterations in trade routes affect Singapore. And it cannot affect such changes. It must always adjust to these changes And this adjustment must be governed by thought and not formula, pragmatism and not ideology, and cool good sense and not political passion. That is the kind of government that is required, and the people must have the confidence and the good nature and the discipline to accept change even when it hurts.

Speaker 2

Singapore is small and Asia is vast. It isn't an escape for very many of the Asian poor. It shows only that there can be an urban industrial solution and that whatever the pain of the city, it is less than the hunger and the deprivation of the village. .

Audio file

119086-LeninTheGreatUnglueing.mp3

Transcript

Speaker 1

. I expect that people of my generation will always see World War II as the great modern watershed of change. Hitler was defeated, fascism was destroyed, socialism advanced into the center of Europe, the Chinese Revolution followed, the colonial empires came to an end. What greater change could there be than this? We should be allowed our vanity. But by any measure, a vastly greater change occurred with World War I, when this cafe in Krakow was still relatively new and a favorite resort of intellectuals at the time. It was in World War I that political systems that had been centuries in the building came apart, sometimes in a matter of weeks. Before World War I, the traditional rulers and the capitalists had no doubts about their future. They thought they were forever. And socialists had no doubts about socialism. After World War I, nothing was ever so certain again. The age of uncertainty began. World War II in a certain sense was the last great battle of World War I. What came unglued in the First World War was a social order and a structure of government. Here in Poland, as elsewhere in Eastern Europe, land was still the vital source of power. The traditional landed families were politically dominant. Kings and emperors still ruled. Capitalism and capitalists were a minor force. It was a structure that shared power between the ancient rulers and the landowners on the one hand, and the new capitalist businessmen on the other. In the industrial countries, with the exception of Britain, farmers and peasants rivaled, usually exceeded in number, the industrial workers. Krakow and this part of Poland then belonged to the Austro-Hungarian Empire. A few miles away, the Russian Empire began. Imperialism and colonialism are words that we have come to associate with Asia and Africa and Latin America. But here in Eastern Europe, there was a much more comprehensive, intimate kind of imperialism. It was like that of the English in Ireland, and it involved the same kind of refined hatreds. Here, the colonial people were often the equal in education and cultural development of their masters. Often they were superior, or so regarded themselves. All were white, at least when washed. Few felt they should be ruled by others. Almost everyone ruled the Poles. Krakow, as I've said, was ruled from Vienna. Warsaw was ruled from St. Petersburg. Poznan, an ancient center of Polish culture, was ruled from Berlin. The Russians ruled Latvians, Lithuanians, Ethonians, Finns. Besides the Poles, Austrians ruled Bohemians, Slovaks, Ruthenians, Croats, Italians, and many others. It was here in Eastern Europe that the

great modern retreat from imperialism began. However, in 1914, it was not the subject people that were the source of uncertainty, fear. The Tsar and the others felt secure. The fear was of rival rulers, of the ambition for the territory that had always meant wealth and power. Austria was known to want something in Serbia and Russia in Turkey and Germany in France. And the British seemed always to be picking up territory somewhere. Out of these fears had come the alliances. Austria allied herself with Germany, got the industrial support, military discipline she needed. Austria gave in return her polyglot manpower. Russia reached out to France for subsidies, help in building her railroads and industry. From Britain, Russia got the sea power she lacked, maybe also a moral sanction for her despotism. Britain and France saw in Russia a vast supply of armed manpower. This led to the many references early in World War I to the Russian steamroller, the steamroller that was to roll principally on Russia itself. I suppose there's no subject known to history that has been so much debated as the causes of World War I. Maybe great events can have simple causes. Lloyd George thought that the great powers simply stumbled into the war. The rivalry, the competition for European and overseas markets between German and British capitalism is almost invariably cited and is believed by all scholars of decently subtle mind. Although similar competition seems not to cause so much trouble now, there is a better explanation. Since the beginning of historical experience, land and men have been the basis of princely wealth and power. The extent and quality of his land was what determined the wealth of a prince or a ruler. The extent and quality of the land was what determined the number and perhaps also the quality of the soldiers that he could muster. Thus his wealth and thus his military power, and thus the importance of territory, the territorial imperative. This belief in land and men was part of the deepest instinct of the old ruling houses of Eastern Europe, as one would expect. It was still a factor between France and Germany. Between the Hapsburgs and the Romanovs, it was vital. Perhaps I should say mortal. So each ruler eyed his neighbor with suspicion. Each believed that he wanted the territory that was thought decisive for wealth and power. Each had immensely detailed mobilization plans developed over decades. And these, as might be expected, envisaged thoughtfully, that the fighting would be on someone else's land. No one, and certainly not the rulers, gave much thought to political and social consequences. There had always been wars. The ruling class had always survived. And so they would again. The trumpeter still recalls in Krakow the battle of Christian Europe against the Tatar invader. That was a wonderfully simple war game as compared with 1914. The act of mobilization, as I just said, envisaged an intention to take up a position on someone else's land. The other countries knew this intention. Their response was to mobilize as a precaution. But mobilization assumed attack. So once mobilization started, everyone was an aggressor. Everything was in danger of getting out of control. Those who could mobilize most rapidly attacked first. Those who were attacked defended, called on their allies to attack. Historians have always spoken of a chain reaction. A chain reaction has a known result. One needs a better metaphor. This was really a rogue reaction, one with

a course no one could foresee, a result no one could foretell. It began with the accidentally successful outcome of the botched assassination of the Austrian archduke. After the shots at Sarajevo, the reaction then developed its own absurd momentum. Austria sent an ultimatum to Serbia, blamed for the assassins. Russia supported her fellow Slavs in Serbia. Germany, Austria's ally, threatened Russia. Britain and France, Russia's allies then had to warn Germany. Germany declared war on Russia. And on France sent an ultimatum to Belgium. Britain declared war on Germany. France declared war on Austria. Britain followed her lead. Austria declared war on Belgium, which Germany had already invaded informally. Montenegro, not exactly a world power, joined the Allies against Austria. The Turks later joined the Central Powers against Russia and her allies. Japan joined the Allies and annexed Germany's possessions in China. The Japanese then, with infinite wisdom, contented themselves with watching. A very good idea to go to war without fighting. Life had been wonderful for the old ruling coalition, the landed aristocrats and the capitalists. They had power, prestige, wealth, and security in all of these. Could anyone think that these privileges would survive the conflict? As we'll see, they didn't think. Although the rulers had not given any thought to the social consequences of war, the workers had. Their leaders were not so averse to mental effort, and they had thought much about what war meant for the working classes. That was because the workers had seen themselves as the natural casualties of war, and so seeing themselves they had thought about their salvation. They would unite across national frontiers for their common protection. So united, they would use their parliamentary power to oppose credits, money for war. Mobilization would be stopped by strikes. If necessary, the weapon of ultimate power would be employed, the general strike. Then all movement of troops would end, all production would stop, all economic life would be suspended. The war makers would be brought to a halt by the mass power of their own workers. It didn't happen. In 1914, the German Social Democrats were the world model for the working class parties. In the hour of danger, said their leader when the day came, we will not desert our fatherland. They voted in the bloc for the war credits. It was the same in Vienna. With the French socialists, it was also the same. The French government had a comprehensive plan for crushing protest. arrest of strike leaders, mobilization of troublemakers, and to the sorrow of some of its authors, the plan had to be shelved. There was no need. In Britain, there was pressure from the recruiting officers, but no conscription. Instead, men flocked to enlist. The only resistance was from a handful of socialists and pacifists. The most prominent of these was Ramsay MacDonald. His was a stalwart act. Many thought it cured him of such behavior for life. In Russia, the Bolshevik members of the Duma, the Russian parliament, opposed the war. But they were few in number and were soon expelled. And in Russia, the workers didn't matter much anyway. It was the peasants who counted, and when their traditional masters spoke, they still obeyed. But these events were of particular interest to one notable resident of Poland. That was Vladimir Ilyich Ulyanov, known except to his intimates as

Lenin. He was living here in Krakow because that was as close to the Russian border as he was allowed to get. Following an earlier jail sentence and three years in Siberia, he had been in exile since the beginning of the century, except for a few months in 1905. But Krakow was near the Russian border, and revolutionaries went back and forth in considerable numbers, many of them to visit Lenin, whose stature as a revolutionary leader was now acknowledged. The movement was illegal, but illegality was a way of life with these gentlemen. Once a member of the Duma, one Muranov, came to see Lenin. Lenin rebuked him for making a clandestine crossing. After all, he had parliamentary immunity. No one could arrest him. Muranov explained that it had never occurred to him that you could do things like this legally. The revolutionaries seeking Lenin could very often find him here at Yama Miklika, but not in the summer of 1914. Lenin had long believed that imperial rivalry, rivalry between the great capitalist powers, made war inevitable. But no more than anyone else did he think it was imminent in those summer months. So like any good bourgeois, he was up at a resort in the mountains. He was in Peronin in the Tatra Mountains near the Polish ski resort of Zakapani. His house, which still stands, is of gleaming wood. It's a lovely example of the local style. Lenin was 44 that summer. Like Marx and Engels and revolutionaries in general, he was of middle class origin. His father had been a school teacher and a school superintendent. Revolution ran in the family. Lenin's older brother had been involved in an amateurish plot to assassinate Tsar Alexander III. He'd refused to express regret. The Tsar had expressed warm admiration for the boy before having him hanged. Lenin's wife, Krupskaya, has left a classic account of their life. Lenin was fond of the mountains and of music, especially Beethoven's Sonata Pathetique. She told of that summer as war came.

Speaker 2

The air was wonderful, and although there were frequent mists and drizzle, the view of the mountains during clear intervals was extremely beautiful. We walked a great deal and visited Czerny Staff, a mountain lake of extraordinary beauty and other places in the mountains.

Speaker 1

It was Marx who gave us our mental image of a revolutionary beard, unruly hair, untidy dress. on tidy eating, Lenin was neat, well-groomed, conservative. One thinks of a chartered account. The revolutionary fire was in the intensity of his purpose and in his speech. Once some 15 years or so ago, I was visited in Cambridge by a Soviet historian, an old man who had served in Budeni's cavalry in the revolution, who had known Lenin. Lenin to his great delight, and once told him that he was the only known case on record of a cavalryman with brains. I asked him if he would describe the revolutionary leaders as he remembered them, as he had seen them. And he smiled and said, well, when Trotsky spoke, we were entranced. But when Lenin spoke, we marched. Lenin was the

disciple of Marx, but not his slave. On important matters, he went beyond the master. In one of his more notable observations on revolution, he said, the aim is not to achieve indiscriminate unity, but unity for the merciless revolutionary struggle of the proletariats against the ruling class. He was strongly affirmed in this belief when the working class parties of Germany and France voted for the war. Previously, those who were for socialism and the triumph of the masses were called social democrats. Subsequently, with Lenin leading the way, the truly committed would come to have a distinctive name, the communists. And though reluctantly, Lenin departed from Marx on the role of the peasantry in the revolution. This was an intensely practical matter. Lenin was a Russian. Russia was an agricultural country. In 1890, when Lenin was coming first to the ideas of Marx, there were only about two and a half million industrial workers in all of the Russian Empire. To wait for capitalism and then for the seizure of power by the resulting proletariat would be to wait forever. In Russia, some peasants had land, but most wanted more. They believed that the land of the landlords belonged by ancient right to them. Marx would first have had capitalism rescue these peasants from the idiocy of rural life, his phrase. Lenin thought it far more practical to promise them the land, and this he did. All this was still in the future. The August guns brought more practical problems for Lenin in the form of the police. Previously, he'd been a pleasant thorn in the side of the Tsar. Now, conceivably, he was a Russian patriot, maybe a spy. He was arrested and the arresting officers came here and along with Lenin, they seized notebooks containing several columns of figures. Perhaps the figures were codes, although in fact they were agricultural statistics. An accompanying official made fun of the whole proceedings. He suggested to the police that maybe a jar of paste that they found here in Lenin's rooms was a bomb. Austria-Hungary, it had long been said, was a despotism tempered by carelessness or maybe casualness. There was some indication in these proceedings of the truth of that saying. After a relatively short stay in jail, Lenin and his family were allowed to go to Switzerland, a country where from earlier years of exile they could feel reasonably at home. Meanwhile, peasants and men of all the diverse and dissident races were given arms, mobilized into the imperial armies. One thinks of this now as an act of supreme stupidity. Where might those guns be turned if things got out of hand? Stupidity is not a negligible force in human affairs, a proposition in which all with any experience in military matters will agree. And it was an especially powerful force in World War I. Military position, like political power, was hereditary. Generals were selected for reasons of family, age, military style, or horsemanship and not for intelligence as happens more often than we imagine the intelligent man was known to ask questions make a nuisance of himself so brains were a positive disqualification meanwhile developments from before World War I had posed for the generals a problem far beyond their mantle reach. By 1914, military technology had advanced greatly in small arms ordnance. This was cheap and easy engineering, and its most notable product was the machine gun. One such gun well emplaced was the equal of 100 or more men advancing with rifles. To the machine gun,

the old generals of the old system had only one basic answer. Send ever increasing numbers of men against the guns after an ever heavier artillery bombardment. The machine guns, enough of them, invariably survived the bombardment. And the men who then advanced did not. The political leaders in their turn could think of nothing better than to trust the generals. Out of this combination of simple circumstances and simple minds came the great test of the system. The real revolutionaries were the generals in France and on the Eastern Front. By contrast, the admitted revolutionary, now in Switzerland, was leading a very sedentary scholarly life. Lenin and Baron was reading, writing, lecturing, and waiting. Money was scarce, although some came to him from his family and friends in Russia. Such things were not so well controlled in that war as they were later. He was not without companions. Switzerland in the 20 years before the Russian Revolution was, again by modern standards, an unbelievably liberal and tolerant place. It's possible that it harbored more Russian revolutionaries than Russia itself. Certainly those in Switzerland were more influential, and because they stayed up all night arguing, landladies charged them extra. Krupskaya told of Lenin's work.

Speaker 2

Illich ardently devoted himself to the mobilization of the forces for the struggle on the international front. It does not matter that we now number only a few individuals, he once remarked, millions will be with us. We lived in Bern on Distilweg, a small, tidy, quiet street adjoining the Bern forest. Sometimes we would sit and talk for hours while Ilyich jotted down outlines of his speeches and articles and polished his formulations.

Speaker 1

While the generals did his work in France and Russia, Lennon even had time for more holidays. He went to the mountains, as he had before in Poland, and found to his pleasure that the Swiss librarians were glad to mail him the books he needed.

Speaker 2

One sent a postcard to the library with one's address and request to send the book required. No questions asked, no certification. no guarantees that one would not cheat the library out of the book, a complete contrast to bureaucratic France. This arrangement enabled Illich to work in this out-of-the-way place. Illich had nothing but praise for Swiss culture.

Speaker 1

But Lenin could not content himself with a passive, bookish life, even though the generals in the old ruling classes might be doing his work for him on the fronts. Some kind of direct revolutionary action was called for. The weapons of the revolutionaries were two, the pamphlet or tract and the conference. Most famous of the wartime conferences was held here at Zimmerwald, now just a few minutes from Bern. And the

conferees took their meals in this cafe, which was then very much as it is now. Every new development required a conference. Nothing could be accomplished without a conference. And after a conference, anything was possible. Not even the modern sales executive is more committed to the conference as a way of life than were Lenin and his colleagues. The actual meetings of the conferees of the revolutionaries were held not here in this cafe, but up the hill a few hundred yards from here. The 38 delegates who came from 11 countries were conducted out from Bern on horseback. As conspirators, they were in good form. They were not told of their destination, though they repeatedly inquired. And the local citizens heard they were ornithologists, bird watchers. And according to legend, they encouraged this suspicion. The birds, as they look back at these bird watchers, Lenin, Trotsky, Zenovia, Radic, were amazed. After two hours, saddle sore, they came in sight of the village. The conference was due to start at four o'clock that afternoon. I've often thought we should understand conferences better than we do. They're only rarely to exchange information, reach decisions, Much more often they're to proclaim shared goals, to show the participants that they're not alone, and therefore to improve the morale of the conferees. And most often of all, they are to simulate action under circumstances where no action is possible. To show the participants, and maybe other people as well, that something is happening when in fact nothing is happening. The meeting of the militant social democrats here in Simmerfald in September 1915 had quite a few of these latter purposes. The question was how workers should react to the war. Obviously. Lenin's position was very much as before. Workers of different countries were not enemies. All had enemies in common. the czar, the other rulers, and the capitalists. Let them therefore turn their guns on these enemies and not on each other. He argued his case, I think we can be sure, with energy and force, but without success. Only A handful supported him. National feeling was still strong. There was some simple pacifism. And most of all, the delegates had to be cautious. Ornithologists or not, they had to go home. So as in 1914, Lenin was still isolated, still marching by himself. He went back to Bern in a state of deep depression, back to work in the library.

Speaker 2

In the autumn of 1915, we sat in the libraries more diligently than ever, but all this could not remove the feeling of being cooped up in this democratic cage. Somewhere beyond a revolutionary struggle was mounting. Life was astir, but it was also far away. The question of imperialism, its economic essence, the exploitation of the colonies arose in all their magnitude. It is on these questions that Illich worked at the end of 1915 and in 1916, gathering materials for his pamphlet, Imperialism, the Highest Stage of Capitalism.

Speaker 1

Menon's theory of imperialism was perhaps his most compelling contribution to revolutionary thought. It's not an impressive document. Much of it is from J.A. Hobson, the English social reformer, as Lenin concedes. The theory held that half a century earlier, European capitalism had reached its peak, as our economic landscape shows. Then, instead of collapsing, as Marx had foretold, capitalism had grown stronger. It had been saved from the scheduled collapse by investment, development, exploitation in the colonial world. British, French, and German workers reaped some of the benefit. They were in effect standing on the backs of the colonial peoples. Colonies meant survival for capitalism, and so out of the struggle for capitalist survival had come the present war. There was an even more breathtaking consequence. Socialism had previously been thought principally relevant to the workers in the advanced countries of the West. They had reached the stage of social development where they might reasonably be expected to take over. With Lenin, revolution became a matter of the utmost importance to the rest of the world. Only the revolution would get the Western capitalists and the Western workers off the backs of the peasant masses of Africa, China, India, Indonesia, or wherever. Lenin took the revolution to Russia and in a very real sense, he sent it on to China. Outside of neutral Switzerland, the slaughter went on and on. In June 1916, the year of the most sanguinary slaughter in the West, Lenin completed imperialism. That April, he had thought it time for another use of his second weapon, the conference. This time they met in more remote Kiental. The socialists of the warring nation still had to be convinced that the workers must follow Lenin in turning the guns on their own ruling classes. But 12 instead of eight delegates now supported Lenin. A modest though perceptible gain. The resolution that was passed was also less cautious. Lenin and his wife seemed to have been encouraged, or maybe they were whistling to keep up their spirits. Here is the key passage of the resolution.

Speaker 2

It is obvious that revolutionary mass action during the war can only lead to the transformation of the imperialist war into civil war for socialism. The struggle for a durable peace can only take the form of a struggle for realization of socialism.

Speaker 1

To prove that caution was in order, three German officers and 32 privates were executed the following month for distributing copies of these sentiments in the German trenches. The first clear call of king and country had now faded. No one would any longer be in doubt as to what the war was like. But the protesting minority remained still infinitely small. The great discovery of World War I was not of the weakness of the old ruling structure, of the traditional ruling classes and the new capitalist power. The discovery was of its almost incredible strength. It was still showing that it could command millions of people to their death without a murmur, and more often than not, with enthusiasm. To liberate all of France in 1944 cost all of the Allied armies about

40,000 dead. Here on these fields in 1916, British and French deaths were an estimated 200,000. At Verdun in that same year, French and German soldiers to the number of 270,000 were killed. The most luminous act of incompetence occurred here on this pasture. On the 1st of July, 1916, the Newfoundland Regiment attacked from the trenches that you can still see and over the shell holes that you can still see. And it attacked against barbed wire and machine guns and artillery that, through miscalculation, was still very largely intact. Within 40 minutes, 40 minutes, 658 soldiers and 26 officers were either killed, wounded, or missing. That was 91% of the entire attacking force. All of the officers who attacked were casualties. The signs here say German line, Newfoundland line. The result was pretty much as though Newfoundland had taken on the whole military power of the German Empire. This was the test. And initially at least, there wasn't any effort to disguise the nature of the war. It was for king and country, Kaiser and Reich. Roughly speaking, for the ruler and the system. Only after the United States came in did our national genius for finding high moral purpose begin to assert itself. Then the war became one to make the world safe for democracy. Further, to remind the men for whom they were fighting, the traditional rulers or their offspring showed up in the trenches from time to time on a quiet day. The men had an even more intimate manifestation of the system than their own officers. It was accepted in World War I that men would be led or sent to their death. by officers of superior rank who held that rank because of superior birth or social position. But the testing of the system by mass slaughter had another striking result. Although it was not much perceived at the time, the better educated the soldiers, the more literate, the more culturally advanced as these things are commonly calculated, the more willingly they accepted death. The well-educated soldiers of Canada, Australia, and New Zealand had a particularly high reputation as fighting men. Likewise, the more mature the capitalist society, the better its men fought. The industrial proletariat of Germany and England was especially reliable, a hard fact for Lenin. And the most illiterate and backward of the armies, the one from the country where capitalism was least advanced, was the one that revolted. That, of course, was the army of the Tsar. None of this was yet evident to Lenin, although his hope for revolution was diminishing. He prepared for a longer stay in Switzerland, And in 1916, with Krupskaya, moved from Bern to the more cosmopolitan atmosphere of Zurich.

Speaker 2

In Zurich, there was a considerable number of young foreigners imbued with revolutionary sentiments. There were a lot of workers there. The Social Democratic Party there was more inclined to the left. And there seemed to be less of the petty bourgeois spirit about the place.

Speaker 1

On January 22, 1917, Lenin addressed a gathering of youthful revolutionaries here in the Fuchshaus in Zurich. He assessed the prospect of the eventual triumph of the proletariat. He had no doubt. But by now, he had been more than 10 years, more than a decade in exile. It was 2 1/2 years since he had left Poland, years of waiting. wasted years. He concluded his lecture, his wife said sadly, with these words. We of the older generation may not live to see the decisive battles of this coming revolution. He was wrong.

Speaker 2

One day after dinner, when Ilyich was getting ready to leave for the library, and I had just finished with the dishes, Bronski ran in with the announcement. Haven't you heard the news? There is a revolution in Russia. And told us what was written in the special editions of the newspapers. We went to the lake, where on the shore all the newspapers were hung up as soon as they came out. We read the telegrams over several times. There really was a revolution in Russia.

Speaker 1

In the next days, Lenin was desperate. How could he and they get to Russia? An airplane? That was mentioned only as an idle dream. Out through France, the French would not regard him as a helpful influence in Petrograd. They would most likely arrest him forthwith. To go through Germany was to risk being regarded as a German agent when he arrived. Still, that was the only chance. The Germans on the same evidence arrived at the opposite conclusion. For them, it would be excellent to have Lenin in Russia, an inspired troublemaker. Eventually, a Swiss socialist, Fritz Platten, arranged the deal. Lenin and some 20 colleagues would go through Germany. It would be on an extraterritorial or non-German train, a rather difficult concept. Better speak simply of a sealed train and sold a famous reference. It has always been imagined that the Germans wanted to be protected from the Leninist infection. They weren't that frightened. It was Lenin who wanted to minimize his exposure to the Germans.

Speaker 2

Of course, in giving us permission to travel, the German government was under the impression that the revolution was a terrible disaster for a country and thought that by allowing emigre internationalists to pass through to their native country, they would help spread this disaster in Russia. The Bolsheviks were very little concerned with what the bourgeois German government thought.

Speaker 1

Lenin was very much concerned with what the Russian people would think of this help from the bourgeois Germans, worried about his reception. So it was a somber passage. On April 3, 1917, by the Russian calendar, which was then 13 days behind time, they

came to the Finland station. Lenin was still some distance from power. But the czarist regime had shown itself not only anachronistic, but supremely incompetent. Its generals, with some notable exceptions, made even Haig and Petain seem cerebral. So it had sunk under its own incompetence. The new government of Alexander Kerensky, if it could be called a government, was now sinking. By autumn, power was there for the taking. Again, revolution was the kicking end of the rotten door. For his seizure of power, the disciplined followers and the small Russian proletariat served Lenin well. And in the end, the resistance was not very great. There was much excitement, but little bloodshed. Lenin's real achievement was in keeping and consolidating power. in proceeding from anarchy and civil war to the gaining of firm authority over all that vast country in the next five years. In these years, he came to see and reflect on his greatest miscalculation. In capitalism, he had argued, and the rest would be a job for clerks, clerks if you prefer. Instead, socialist management showed itself bureaucratic depressingly incompetent. Our apparatus is pretty bad, he conceded, adding that the first steam engine invented was bad too. In 1921, with the new economic policy, he retreated briefly toward capitalism to solve the administrative problem. It remained for Stalin, with all his force and brutality, to complete the establishment of socialism. That the old order had become unglued in Russia, no one would doubt. The old rulers, the old landed aristocrats, and the new capitalists all disappeared. But elsewhere, too, the change was great and forever. In the Western European countries, the coalition between the capitalists, the businessmen, and the traditional ruling classes was gone for all time, and with it, the old certainties. The new coalition was between businessmen, large and small, and the trade unions. It was less coherent than the old coalition of capitalists and the traditional ruling classes, but it was no less real. So now, the age of uncertainty. Starting from here in Turin, home of Fiat, we see the industrial problem that Lenin did not foretell. No less than capitalism, its business enterprises require intelligent, careful, and disciplined management. It was for this reason that the Soviets came here to Italy to enlist the help of Fiat in the development and improvement of their motor car industry. Fiats are made here And their close twins are made on the banks of the Volga. Peter Kapitsa, the great Soviet scientist, once said on a visit to Harvard that automobiles were not part of the instinct of the Russian people. That might have been a reason for coming here. But however that may be, Fiat and Soviet engineers use broadly similar equipment and assembly lines to make a closely similar car in Turin and Tugliathigrad. The organization and the tests of performance are the same. It is on the modern large business firm that both capitalism and communism now converge. This has a further effect on the distribution of power in all the industrial countries. The corporation employs workers. But it also has a huge technical, scientific, administrative apparatus. It sustains a penumbra of small firms which supply it, sell its products, and sometimes even repair them. It needs a large civil service and a big educational establishment. All of these groups want a stay in government. None wants to surrender exclusive power to the industrial proletariat. This partly explains the rise of

intellectual dissent in Russia. And it explains why Italian communists, breaking with Moscow, concede that they can no longer hope for a monopoly of power. Another problem for Lenin. But Lenin, as we've seen, was also a very practical politician. He would have perceived how power since his time has been diffused to new groups, and he would have seen the impossibility of its being seized and monopolized by any one. There might well have been another pamphlet. In any case, the dictatorship of the proletariat, like so much else, has now surrendered to the tyranny of circumstance. # We peasants, artists and daughters # Enrolled among the sands of God. # Let us claim the Earth's growth of promise... # More ideas in the understanding of economics as the Age of Uncertainty continues next on BBC4.

Audio file

119090-TheBigCorporation.mp3

Transcript

Speaker 1

What is the most relentless force for change in modern economic life? It's the modern large corporation. It's also the least understood force in our lives, or to be exact, the most deliberately misunderstood. There is a corporate myth which is carefully, assiduously propagated, and there's the reality, and they bear little relation to each other. The corporate myth is of a disciplined, energetic, dedicated, but well-rewarded body of men serving under a dynamic leader. The leader leads is always dynamic. His men carry out his orders or transmit them on to the minions below. This is the organization. The myth holds that the only purpose of the corporation is to make money by making things. It does well by doing good. It makes money by responding completely to the instruction of the market and thus, ultimately, of the consumer. These are salesmen, but they are messengers, the queries, sent to discover the needs of their sovereign, the sovereign consumer. Paul A. Samuelson, the most distinguished economist of my generation, once put it this way, The consumer is, so to speak, the king. Each uses his votes to get things done the way he wants them done. We should think of the consumer, I believe, as someone very like ourselves, moved by voices within and without, including the eloquent outer voice of the modern corporation. The economist consumer, which I've always rejected, we see them here in caricature, is moved only by inner self to maximize the enjoyments of consumption. ****** gives great thought to consumer choice, tests all life, all welfare by the amount consumed, and is immune to exterior persuasion. It is the myth. Not even economists believe it when they go home at night, not if they look at television. We know as well as others that corporations influence government, influence the consumer. Only the textbooks hold otherwise. This is one of the few matters in economics that you can test for yourself. You can ask yourself whether the advertising that dominates your vision deepens your ears as a purpose. Caught up in this world, we become part of it, unaware of its influence. The myth, the instruction which holds that the modern great corporation is the powerless servant of the market, and thus of the consumer and the society, is one of the ways by which corporate power is subdued in our consciousness and thus protected. We shouldn't be surprised. All education in all societies accepts, defends, protects the dominant institutions of that society. the sovereign, the constitution, parliament, the law, communism and the Soviet Union, that our economic

education protects and defends the corporation should surprise no one. No two corporations are exactly alike. No two exercise power to precisely the same ends. A corporation in which scientists and engineers interact, IBM, ICI, will have somewhat different purposes from one like Revlon or Unilever, which survives at least partly by its skill and public persuasion. Some corporations measure success primarily by earnings. Others like to tell of their growth. Some speak of service and public responsibility. And if men speak often enough of their virtue, they may persuade themselves, at least a little, to its practice. There being no single typical corporation, we have invented one that tells something about all. It's called UGE. Our invention allows us to proceed far more easily to the reality. For corporation executives, as I've said, are custodians of the corporate myth. They are made uneasy by those who reject the myth. They regularly ask for assurance that a television program will not do so. Our corporation is Unified Global Enterprises. Since 1954, known as UGE. Its history is the history of many firms, all alive and mostly thriving. UGE could be British, French, German, but since it's a source of both instruction and amusement, I thought it tactful that it be American, an American-based multinational. UGE will allow us to dissolve the corporate myth without too much solemnity if you will allow. Then we shall look at a real, rather solemn corporation, also very successful. UGE, our company, began in food and beverages, is now big in chemicals, hotels, missile guidance systems, computer software, and the leisure industries. This is the UGE product family, the product mix, the world of UGE. So we welcome you to UGEX 80, the exhibition specially planned to document the 100-year history of UGE.

Speaker 2

Hi, and welcome to UGEX 80. I'm your hostess, my name's Cindy. And I'm Gene. Thank you for visiting UGEX. In 1980, we'll be celebrating 100 years of the UGE Corporation. 100 years of service to mankind. And that's the theme of this, our centennial exhibition. Have a good day now. This was the founder of UGE, James Glow the First. He came to the United States in 1873 from Greenock, Scotland, down the Clyde from Glasgow. James Glow was a man of action and enterprise with the vision and foresight to found an empire. In 1880, James Glow opened his first butcher shop in Chicago. By 1890, he was running a sizable meatpacking plant. By the end of the century, Glow Packing was fully established, along with Swift, Armour, Cudahy, and Wilson as one of the big five in the Midwest. On payday, every employee was given tracts from the Bible and pamphlets warning against indulgence in strong spirits, along with his money.

Speaker 1

James Glow and his son were famous, their church interests aside. only for their close attention to business. They prided themselves on knowing all the family men by their first names. They were also noted for the work they could extract in the course of a normal 72-hour week and 12-hour day.

Speaker 2

1898, Glo Packing fed our boys in the Spanish-American War.

Speaker 1

The historic and bomb beef of the Spanish-American War proved far more damaging to the participants than the misguided Spanish bullets. But it has never been shown that the glow cans were appreciably more lethal than the industry average, and no other company learned the lesson so well. Always thereafter, the company emphasized quality in its merchandising and advertising. Glow sausages and canned meats from those years are still with us today. In Chicago, it was said, the packers used every part of the pig but the squeal. The glows did better. They used ingredients that had never been near our carcass. For generations of Americans, glow sausages have been the glow worms, an affectionate nickname derived originally from their shape, the company public relations department has often explained.

Speaker 2

We salute the fine range of food produced by Glow Food and Beverage for over 80 years. Breakfast food, corn tassel, lake barley, health foods, liver extracts, mineral laxatives, a whole new ball game to greet the 20th century, launched by James Glow Jr.

Speaker 1

These nutritious foods owed much to an economical range of vegetable products, intelligently processed and flavored, that went originally into the sausages. These included oatmeal, cornmeal, cut and seed meal, wheat bran. And it was said, although never admitted, freshly milled sawdust. The greatest of all was U-Gall.

Speaker 2

The ingredients of U-Gall remain a secret to this day. It's the oil with a thousand uses, praised from that very day in 1921 when America first bought U-Gall. Wonder product, just one oil for all. Sunburned crank paste salad, the name is Yuval.

Speaker 1

James Glow Jr., by now in his late 60s, was assertive, autocratic, jealous of his power. He was very, very angry with Roosevelt. And he was once carried out of his plant by a policeman for resisting a government order on collective bargaining. As might be expected, he was unwilling to relinquish the reins.

Speaker 2

But there was light at the end of the tunnel. A brighter fortune ahead. Ujola! In 1932, the company bought the trade name, the Syrup Formula, for what was to become Ujola, the soft drink that gives you the lip.

Speaker 1

This could have caused trouble. The beverage owed much of its popularity to its highly addictive qualities. Cocaine, it is now known. So, acting out of his deep religious convictions and seeing the handwriting of government regulation on the wall, James Glow Jr. eventually dropped the drug. But by then, the beverage was well established. For Glow Industries, as for many other firms, World War II was a time of great demand, great expansion, new horizons.

Speaker 2

GIs march on C and K rations from Glow Industries. Let's all back the attack. Let's stand by the ones who are man of the guns and pushing the foe on back. Let's all be good soldiers and back, back the attack.

Speaker 1

The soldiers consumed, this time with no noticeable peristaltic or other intestinal effects. More important, Glow Industries was persuaded by an army in need of managerial talent to take on a shell loading plant in downstate Illinois. It also organized logistics support for Quartermaster's food operations in the European Theater of Operations, the ETO. Thus, the wider horizons.

Speaker 2

The way was paved for Harold McBeon. In 1952, Harold McBeon took control of the corporation. A philosophy of growth, constructive acquisitions, the American opportunity abroad. professional management, a partnership in government, responsibility for national security, sound labor management relations, profit with service, technology at the demand of the consumer, the nation's host, nutrition for a free people.

Speaker 1

All these phrases are associated with the era of McBehan. and the talented young team that he brought with him to the company from the Pentagon and the Harvard Graduate School of Business Administration. It was time also for a name that did justice to the new horizons.

Speaker 2

Glow. Glow Industries. Glow Packaging. Glow. Glow. Global. Global Industries. Global Enterprises. Unified. Unified Global Enterprises. U. G. E. U. G. E.

Speaker 1

50s and 60s were the golden years of UGE this was the New York headquarters the dominant theme of every age is reflected in the grandest of its structures religion in the

Middle Ages and the cathedrals the emerging nation-state in Versailles the Industrial Revolution in the railroad stations and the modern corporation in the skyscrapers.

Speaker 2

That building is our signature it's the spells one word in the sky. Huge.

Speaker 1

Only the H is silent, McMehan liked to say. McMehan was the first of the professional managers. Arthur Francis Glow, the only male heir, after a brief experience in the company, had retired to California. His father had been called the last glow. AF was called the afterglow. James Glow on his death had established the Glow Foundation for advancement of economic and political education and the essential principles of free enterprise. Much of the stock of the company went into the foundation. Arthur Francis sold more to cover the losses from his resort in the Caribbean to pay alimony and property settlements to his two former wives. and for his own Institute of ****** Art, a field in which he will be remembered as a pioneer in aesthetic achievement. By 1969, with the glows gone, the corporation was seventh on the Fortune list of the 500 largest American industrials. In the annual report in that year, UGE noted that it had sales offices in 62 countries, substantial manufacturing or bottling operations in 54 countries. McBehan had done well, very well.

Speaker 2

Your management now directs a closely articulated, internally reinforced, highly dynamic enterprise, which responds well to the capabilities inherent in modern managerial methodology and systems. Thank you, Mr. Woods.

Speaker 1

Harold McBehan left UGE in 1969 to become Deputy Secretary of Defense. Company earnings, reflecting the favorable effects from the consolidation and revaluation of Intercorporate Holdings and other creative accounting, had reflected their 16th straight annual gain. The stock was at its all-time high. Since the Glo family had by now sold most of their interest and new stock issues had paid for the acquisitions, no individual now owned as much as 1% of the UGE voting stock. So where does the power lie? Traditionally in an American company with the board of directors. The members of the board are the voice of the owners, the stockholders. For UGE, the ultimate authority. This too is part of the myth. The average age is now 67. They meet for two hours every two months and ratify decisions that have already been taken and which several do not understand. None has ever opposed management on any matter of importance. To their ranks have recently been added a black clergyman, a consumer advocate, and a socially concerned nun. All the others were earlier selected by Harold McBehan. Their election was highly predictable. They were voted in by proxies returned automatically

for the management slate. The owners and directors had no power. Who then runs the show? For the answer, we go to the centerpiece of the Centennial Exhibition. The new headquarters built to house UGE in the 80s. It's 105 stories high, was the winner of a dozen design awards, including two that were funded by UGE itself. The new skyscraper will house the great and diverse and talented group of men that now, happily for it, is the UGE Command. Some years ago, I gave this organization a name, the Techno Structure. Harold McBehan, when he went to the Pentagon, was succeeded by Howard J. Small, executive vice president for corporate operations. Howie, as he is known in the firm, commands approximately the same salary as did McBehan, $812,000 plus stock options, deferred compensation, and pension rights. Unlike the Glows and Harold McBehan, Howie is not well-known outside the firm. He's a two-pack smoker, drinks on occasion to keep going, and were he a vital factor in the firm, his heart condition would be the source of the gravest concern. The Dow Jones wide tape would carry his electrocardiogram and his latest lung x-ray. In fact, no one in Wall Street gives Howard J. Small's health the slightest thought. It is taken for granted that power resides not with Howie, but in the technostructure. At the center of the technostructure are the chairman, president, executive vice president, vice president, council, a formidable array. The myth is of a hierarchy, all power coming down from these men at the top. The reality is of circles, concentric circles, with power flowing between them. And that is the corporation's greatest source of strength. Howie Small, as president, is at the center of the circle. In the first ring are his executive vice presidents and the senior home office staff. In the next ring are the heads of the companies and subsidiaries at home and abroad. In the third ring are those men whose technical and specialized knowledge contributes to decision. engineers, scientists, advertising specialists, sales managers, dealer relations men, designers, more lawyers, more lobbyists, economists, controllers, and the men who understand the computer. Next beyond are the white collar workers. Next are those who supervise production. And in the final outer ring are the blue collar workers.

Speaker 3

Let us now concentrate our minds fully on the future. Thank you.

Speaker 1

In the inner rings of UGE, there is the power that proceeds from position, from rank. In the outer rings, there is the power that proceeds from skills and from numbers and from union organization.

Speaker 3

Hiya, man.

Speaker 1

There is power in every ring, power that goes with command, with knowledge, or with organization.

Speaker 3

Where do we go next?

Speaker 1

A New Yorker drawing by Charles Adams got it right. In the modern corporation, there are no great men, only great committees. We see, I think, the error in viewing the firm as a pyramid with all power passing down from the top, but the corporation does and achieves is the product of the intense interaction between the outer rings and the center. But it's time to enter reality, to see the technostructure at work in a real corporation, Philips, the Dutch multinational. UGE is a composite and a caricature, both larger and smaller than life. For reality, we go to Eindhoven, a city of 190,000 people a couple of hours drive south and east of Amsterdam. In 1944, it had its moment of history. It was taken by Montgomery's armies when the further jump to Arnhem proved a bridge too far. Since 1891, Eindhoven has been the headquarters of Phillips. A look at Phillips begins also with an exhibition, the Evaluan. Here the children of Eindhoven are brought to see the achievements and promise of technology in general and of Philips in particular. Philips in 1974 was ranked fifth by fortune among the industrial corporations outside the United States and 16th among all corporations in the world. This was from sales of electrical goods and other technical hardware of 9.5 billion, employment in some 60 countries of 412,000 people. Here is an artist's conception of Phillips. He too sees power proceeding out from a circle. here in Eindhoven the Phillips presence is still a powerful thing workers in the firm still live in intimate association they unite in music the Phillips band plays the Phillips march There are only two ways, it's an old saying in Eindhoven, to be fired from Phillips, to shoot the chairman of the company or to molest the coffee girl. The first is recommended, but the second will soon be found out. The glows have long since gone from UGE and nobody is sorry. In the more durable Dutch tradition, there is still a Phillips on the Phillips board. The memory of Anton Phillips, the founder, the old man, is maintained by this monument. The artist thought it wise to sacrifice form, maybe also beauty, for substance. In Eindhoven, where the state does not serve, the company still does. Paternalism is not yet dead at Phillips. Thus, the international school teaches English and Dutch to the sons and daughters of Philips International Executives. English is to the modern corporation as Latin was to the medieval church. So.

Speaker 2

And big, can you live in big arms, like, and big, big, can you push down?

Speaker 1

The company has encouraged the foundation of a workers' cooperative for those who have retired but who cannot bear to stop working, for whom the work ethic is too compelling. Strength through work. And through their working life, the health of Phillips employees is carefully checked. The more responsible the job, the closer the watch. Health and corporate health go hand in hand. But as James Glow's workers eventually escaped his righteous and paternal embrace, so it is in Eindhoven. The football team, PSV for Phillips Sports Verein, still bears the company name but plays on its own. Once the company housed and educated all of its workers, Now these tasks are going or have gone to the city of Eindhoven or the state. Once the company instructed the workers as to its wishes. Now it consults the union. Once a year, sometimes oftener, it assembles the representatives of all ranks for discussion of plans for the years ahead. And speaking of the power of the modern corporation. An important distinction must be made. Its public power, its power in markets, and in the state increases. Its parental power, its power over its own people, diminishes. Phillips, like UGE, is a creature of its technostructure. In this respect, all large corporations are alike, and corporate performance depends on the people who fill the rings. Who are these people? The corporate people are the new and universal priesthood, those who serve not the universal church but the universal corporation. Their religion is business success. Their test of virtue is growth and profit. Their Bible is the computer printout. Their communion bench is the committee room. Alcohol is under interdict as an intoxicant, but useful as an instrument of friendly intercourse and persuasion. Recreation is for regeneration of the business spirit. Sex is for better sleep. The Jesuits of this austere faith are the graduates of the modern business school. The Harvard men were the first of these orders, and they still remain. But now there are numerous subordinate orders. One trains here at a French business school, Insead, in the forest of Fontainebleau. The techno structure of the corporation is a design for drawing on the specialized knowledge of different fields of learning. In keeping with this, engineers work here with accountants, economists with marketing men, production men with those concerned with new product design. Though this is France, notice again the language that is used. English in a manner of speaking.

Speaker 2

Which has been a high growth factor now, could they find more? It's an illusion.

Speaker 1

The training is in group effort. And the word effort deserves emphasis. The corporation sets high store by work, long, intense hours and a short life. And its seminaries do not favor the deeply reverenced leisure of the liberal university. They are places of business. Students work through financial negotiations, labor negotiations, follow out a decision tree. It's called role-playing, but no one thinks of it as play. We're certainly not taking that 153.60. Point up to 48. Should we push it down to 47 and a half again? We'll

certainly go to 47 and a half. I mean, I think that they've got to improve, they've got to be better than the other company. Learning is Problem solving, and not an exercise in speculative theory. Following the original Harvard model, instruction is by the case method, practice in solving the kind of problems that all students hope they will soon be encountering in the executive suite. The moment you've all been waiting for, the results. Industry one. The result, surprisingly little noticed in our time, is a race of men who are also greatly alike. They're not French, not English, not Belgian, but all slightly American. The corporation is their country. The first loyalty is to IBM, BP, Nestle, or most loyal of all to UGE. The United States, Britain, Switzerland, Holland are mentioned only as the countries from which they come. Their uniform is a quiet suit, a careful tie, decently polished shoes. And the best of them can be dropped into Brussels, Geneva, or Indianapolis. And wherever it is, like a coin in a slot, they will immediately produce. Immediate boarding at Gate B-29, please. The proletarian Marx said, knows no motherland. This has never been true. But it is true of his modern boss, and it is true of the international civil service of UGE. Since 1965, nearly a third of all UGE employees have been in overseas operations. Around half of consolidated earnings are now from outside the United States. UGE operates not from Brussels or Geneva, but from Paris, the intellectual, artistic, and quality consumers' goods capital of Europe, Harold McBehan said when he opened their headquarters here at La Defense. Also, better food, more accessible women, and the Crazy Horse Saloon, a slightly frivolous minor executive was heard to add. He's no longer with the company. Harold McBean personally coordinated the worldwide operations of what, in his more thoughtful moments, he called his empire. He was everywhere by plane or helicopter. Five meetings a week, 200 in an average year. Howard Small is also airborne. But his management team at Home Office keeps itself current on all operations, international and domestic. Information flows in to be processed by a large staff and kept immediately available in a comprehensive information retrieval system. Long before Howie decides, the decision has been carefully staffed out. Often, in fact, it has been already made. The modern multinational corporation is omnipresent. No place is too far away. UGE is as much at home here in Singapore as in New York, Paris, Brussels, or Woodrid. Howie Small's people have recently won the Ujola concession in the Soviet Union, and they have high hopes for North Korea. The dangers of the multinational corporation have been greatly celebrated in our time. They destroy national entity, have power above and beyond the reach of governments. Even the executives of multinational corporations are concerned. When they gather for corporate festivals, they listen to solemn lectures, usually from American professors, on the problems and prospects of the multinational corporation, and these orators always fuel with alarm. I think it's better on the whole to be a little skeptical. No one can doubt the power of the multinational presence here in Singapore. The multinational corporations bring in the raw materials, fuel, consumers' goods, finance the production, make the products, and take the products away to market. They have remade the city in the image of the

industrial West. But one wonders if this is all bad. Britain also made Singapore in the image of the West, and it was then called civilization. It also meant homogeneity, tennis, cricket, billiards, Scotch whiskey, the London, illustrated news. The impact of Phillips and Ford and Chase Manhattan is different, but who can say that it is worse? That the great multinational corporations can influence national governments is certain. But the power of the national corporation over national governments is usually greater, and that's something we shouldn't forget. Nor surely is the suppression of national entity, national identity, all that bad. Frenchmen, Germans, the British, all asserted their identity in the first half of this century, and the result was millions of people dead in the two wars. I suppose some believe that the European common market came into existence because miraculously after 200 years, everyone began reading Adam Smith. The wider the market, the greater the returns from the division of labor, the greater the efficiency of the international system. It's a lot more plausible to suppose that the EEC came into existence after World War II because with the rise of the large multinational corporations, tariffs, national boundaries had become for them a nuisance. And they had a better way of keeping competition under control because in a good many cases they owned the foreign competitors. So if France and Germany are now so denationalized that they cannot indulge their ancient animosity, cannot slaughter each other's citizens? Should we weep? As to economic development, you've only to look around. It wouldn't all have been accomplished by the local citizens, industrious though they are, or the World Bank. It greatly helped that Phillips uses Singapore as a manufacturing site. It is always well to be suspicious of broad judgments. This is all good, this is all bad. The multinational corporation is a case in point. But Philips does not take lightly the poor press which the multinational corporation receives. It calls itself a federation, a federation of national organizations. As the commercial jets bring heads of state to New York or Geneva, the company planes bring the heads of the 50 national companies to Philips for international conferences. Once every year they come. They don't meet in Holland. That would emphasize the Dutch origins. They meet here in Ushi in Switzerland, not far from Lausanne, to report on the past year, discuss plans for the next five years, trade experience on problems of management common to all. Assembled here are the heads of national companies and the top brass from Eindhoven.

Speaker 3

I must say that we try to very much enlighten government officials about what we do, how we contribute to the economy, and I must say that this has a very favorable response because often these people do not know. They hear from these third parties about how bad the big corporations are, but when you bring them au fait with what we are doing, what contribution we do make, Then often they take a completely different stand.

Speaker 1

However it is described, Philips is certainly not a simple organization. Heads of national companies are appointed from Eindhoven. Capital outlays in there with the design for growth are approved there. Then the individual firms and these managers are given freedom to manufacture, sell, do their best, and so far as possible to make themselves part of the local scene. The technical departments in Eindhoven, those for radio, television, medical equipment, so on, are in constant touch with their counterparts in the national companies. They keep close watch over quality, technical performance, innovation.

Speaker 3

What are you laughing about? No, yeah, well yeah, still looking, so yeah.

Speaker 1

Were the United Nations like Phillips? It might be called a federation. But it would also be a world government. And these men would form that government.

Speaker 3

I went to Uruguay to be a manager of Phillips in Uruguay. And my then boss, Mr. Hartung, took me there. And the company was not in a brilliant shape, to say the least of it. Then we had a week's introductions. We looked around. I went to know where the office was and stuff like that. And when he left, we stood at the airport and he said, Now, young man, here's 10 million kilders worth for you to take care of. And then he left. And then in the first you get a kind of a strange feeling. But the challenge of handling your own company without having had to put up all that capital, being allowed to care for all those people and being responsible for this thing is absolutely a challenge. And that comes in and comes in already at a very low level. Very low level. I would like to support that core because only recently I had a meeting.

Speaker 1

Corporate life is more easily explained than lived. To see more intimately what it involves, we come to California to this Arcadian scene. The corporate ethic, as I've observed, is one of effort, acceptance of strain. A good executive is a good man under stress. The modern corporation has power, but it is power that is intricately shared. In the techno structure, all but the most elementary decisions require the information, specialized knowledge, or experience of several or many people. To adjust to the views of others to accept their information and experience requires a sensitivity and a restraint that many do not have. Thus, the Esalon Institute here in California. It is to show executives how to contend with the endemic stresses of corporate life and it seeks to provide the sensitivity and restraint that shared power makes essential. Since

1965, major corporations, IBM, Burroughs, Standard Oil of California, Memorex, the Internal Revenue Service, a disturbing companion, have been sending their executives to Esalon. An executive tells how he learns to unwind. I was wound up as a golf ball all my life and I discovered Esalen four years ago and unwound. And when I went back into the real world, I was.

Speaker 3

Still pretty badly wound up, but it was more like a ball of yarn and it was soft and pliable.

Speaker 1

One executive was so unwound that he forever abandoned his three-piece suit, put on jeans, allowed his hair to grow, and remained here as a gardener. The world of the techno structure is one of anonymous exercise of power. Neither the psyche nor the sex habits nor even the personal hygiene of the great corporate executive has been very much investigated. But what Esalon says about the intensely interpersonal and competitive exercise of power in the modern corporation is very plain.

Speaker 3

It's a question of winning and losing almost every hour during the day. The people who are attracted to our kind of work are win-oriented people. You might say that there is a natural force that causes us to be a little more uptight perhaps than somebody in a more relaxing profession.

Speaker 1

So they learn. How to overcome the resisting hand, gentle problem solving, how to relax, accept manipulation, management by others, how to play, escape the work ethic. Is it a solvent for the strains of corporate life? Well, it must anyhow be a pleasant change from the daily grind at Memorex or Standard Oil, and whether it works or not, It tells us much of the life and organization from which the escape is sought. One thinks of married couples seeking to achieve greater harmony and understanding, and rightly so. For in its closeness of association, corporate life is marriage without sex. There's the same need to understand, to civilize, to perfect an association. Above all, to persuade each individual that at some point, individual power must be subordinated without sense of defeat to that of the group. The large corporation is here to stay. Those who would break it up, confine its operations within national boundaries, are at war with history and the tyranny of circumstance. People want large tasks performed Oil recovered from the North Sea and automobiles made by the millions to use it. And large tasks require large organizations. And that's how it is. The question is, how do we live with the modern corporation? Allow it the autonomy it needs, the autonomy it needs for decision making, while providing the restraint that ensures service to the public purpose. The automobile industry is the metaphor for big business, the big corporation.

And this restaurant in the basement of the GM building is probably as good a place as any to raise these questions. It's a kind of monument to the motor vehicle industry. The immediate solution lies with strong national rules to protect the public interest. Also, I think, with steps to make the large corporation less a private and acquisitive and more a public and social organization. Stronger national regulation is, of course, a trend of the times. Sometimes we don't see what's happening before our eyes. What a corporation can do to air, water, landscape, the truth, or to the health and safety of its customers is far more constrained than it was a mere decade ago. Ralph Nader didn't bring this regulation the trend brought Ralph Nader on reform of the corporation there is a good deal less discussion especially in the United States it's an article of the free enterprise faith that General Mark General Motors and UGE are the final work of man and God other things can be perfected but these are perfect a divine hand guided not only the churchly glows, but also the profane and secular Harold McMean. Putting representatives of labor, minorities, women, the public on boards of directors, one remedy that is discussed doesn't appeal to me. The boards we've seen are without power and so accordingly will be the people, however good they are, who are put on the boards. it would be better I think to abolish boards of directors in the large firms now that they have no function and they could then be replaced by what we might call a board of public auditors which would keep out of management decisions but would ensure the enforcement of public laws and regulations report on matters of public interest otherwise keep the management honest and it would also ratify changes in the top command and in the event of failure order such changes. You will ask then who would represent the stockholder. The answer is that no one does now. The shareholder in the big corporation is without power and without function and we have to conclude that he or she is also obsolete. I would pay such stockholders off in bonds have the dividends and capital gains then accrue to the public this you will say is socialism and that may well be so but it is but it is socialism because the great corporation as it develops takes power away from the owners and away from their representatives and therefore it socializes itself it also socializes itself in another and more specific way if a corporation is large enough it can no longer be allowed to fail and go out of business. The recent history of Lockheed, Rolls Royce, Penn Central, Krupp, British Leyland, the big Wall Street brokerage houses, all affirms the point. All have had to be rescued by government one way or another. Socialism, as and when it comes to the United States, will not be the work of politicians or professors, The real work will be done, is being done by the corporation executives. On this too, Howard Small, Howie of UGE, has also spoken.

Speaker 3

Ladies and gentlemen, it is time to seek new areas of cooperation between government and industry. I am proud to announce such a step for UGE today. In keeping with the rest of the airline industry, UGE has been caught between rising costs and stable

passenger revenues, problems I need not tell you that are not of its own making. As you know, we proposed a government takeover of the line. Instead, in a constructive step, Washington has promised an increase in the air mail subsidy and an equally constructive support to our short-term debt refinancing and a similarly constructive guarantee of our new equipment bonds this is the kind of constructive cooperation between government and industry that we should all welcome in a free society it is our best guarantee against the march of socialism Thank you.

Speaker 1

We see that socialism, too, has entered the age of uncertainty. It could be one thing for UGE, something else for the average citizen or the poor. UGE 24 hours a day.

Speaker 2

More ideas in the understanding of economics as the age of uncertainty continues next on BBC4.

Audio file

119085-TheColonialIdea.mp3

Transcript

Speaker 1

A night there was, a very worthy man. That from the time that he first began to ride abroad, he loved chivalry, truth and honor, freedom and courtesy, as well on Christian as on heathen earth, and ever honored for his noble worth.

Speaker 2

The first step in understanding colonialism is to separate the myth from the motive and to recognize that the myth is so often so noble that to displace it seems slightly obscene. The conquering knight belongs to the world of chess, a game that is universal. It is the archetypal game of conquest and dominion a metaphor of colonialism. The impulse of people to seek influence or dominion over lands far distant from their own is one of the great constants of history, the Romans, the French in Africa, the British in India, and so are its leading features. In the short run, the effort is a success, and in the long run, it is a failure. invariably the end is messy the departure is usually sudden the collapse is bloody both for those leaving and those remaining behind the departure from the colonial world has been less the result of the rising power of the colonial peoples than of the diminishing interest of those who leave all modern Empires Spanish British French American Portuguese maybe even Dutch and Belgian could have been kept if the people of the metropolitan country had thought it worthwhile to do so. But they were no longer as willing to expand blood and treasure to keep the colonial territories as they once had been to win them. Also an important point, they were no longer willing to suspend disbelief as to their purpose in being there. The great prophets of 19th century capitalism, Smith, Ricardo, the rest, had surprisingly little to say about colonialism. They confined themselves to condemning the monopolization of colonial trade, exclusive privileges. Marx was more interested, and his views repeated today would cause surprise. Colonialism was a necessary and helpful step up from feudalism. The British and India were a progressive force. It was always agreed that the colonies did contribute to the prosperity of the capitalist world, yet the two countries with no colonies to speak of, Germany and the United States, enjoyed the greatest industrial growth of all. In fact, colonialism was taken for granted, and so was its myth. 900 years ago when the game of chess passed into Western Europe, its pieces had a firm physical reality. Their counterpart in life was the Crusaders and the Crusades. The

myth was of men of the highest religious purpose, committed to the redemption of Jerusalem from the infidel and to saving the Eastern Christians in Constantinople from the Turks. The unavowed motive was land and wealth. Preaching the First Crusade in Clermont in 1095, Pope Urban II was careful to say that good property would be available for the Christian taking in the Holy Land. This was a deeply inspiring thought to the younger, landless sons of the Frankish nobility, and so beneath the cross beat hearts responding to the age-old appeal of good real estate. The Holy Father, some scholars suggest, was also concerned with Finding a job for the unemployed brigandage of Europe. Better to have them in Asia than in Europe. Arnold Toynbee flatly described the Crusades as belonging to the larger catalog of Western atrocities. The Crusades quickly achieved their most distant goal. Jerusalem was one, and so was the real estate that reinforced the commitment to the cross. Baldwin the First, the first king of Jerusalem, was himself diverted by a fine property at Edessa in what is now southern Turkey. Then the crusading, colonizing zeal began to fade. In less than a century, both Jerusalem and the lands were lost. There were more crusades, and often it was reported back to Rome that there was light at the end of this tunnel. But after another century, only a few footholds on the coast remained. Of these, acre was the most important. Then on May 18, 1291, Acre came under final assault. Things were as in Algeria or Saigon or Angola, 700 years on. An Israeli scholar recently observed that the principal terror weapon of the time, Greek fire, is the chemical and military antecedent of napalm. The attackers at Acre promised a bloodbath for any surviving Christians, and such promises in those days had to be taken very seriously. As later in Saigon, to have planned for an evacuation would have been to concede defeat in advance. So instead, at the last moment, there came the holy anarchic rush to escape. Space was sold to the highest bidder, Fortunes changed hands during the course of that single night. Passage out was by ship, not helicopter. The long shadow of colonialism has been mentioned, and none is so long as that of the Crusades. It remained in the memory of Islam that men had come from afar with religious purpose and sanction to occupy Jerusalem and to take up the land. And it continued to be feared that one day they would come back. It was inevitable that any who did return would be viewed with the utmost hostility and especially so if they claimed religious sanction. It didn't matter too much whether those returning were Christians or Jews. The shadow of the Crusades is still over Israel. The people of the Levant had rallied to throw the crusaders out. But in Europe, the crusading spirit, the colonizing spirit, had weakened. This was decisive, and this tendency to tire is a constant in the colonial idea. There was for long another constant. As enthusiasm waned as regards one region, it would wax as regards another. While the crusaders had been going east, the Moors had been coming west and into Spain. In the same year that Spain freed herself from the Moors, whose architecture still enchanced the visitor to southern Spain, she launched the greatest colonial effort after Rome. Its hub was here in Seville. Christopher Columbus was here in 1491 on a promotional trip, waiting for Isabella to finish with the Moors. With Spain, the colonial idea took on a

definite administrative and intellectual form. To rescue souls was still the avowed reason. And for those committed to that task, it was real. Colonial motivation was never simple one-dimensional. But as Adam Smith observed, the pious purposes of converting the inhabitants to Christianity also sanctified the injustice of the project. The pious purpose was the cover story, a concept not invented by the CIA. The deeper purpose of the project was the enrichment of the colonists and the Spanish crown. The effort being Spanish, it was felt that the reward should be hers. So the Spanish colonial trade was monopolized by Spaniards. This was the mercantilist perception of the colonial idea, strongest always with Spain. Until 1717, the headquarters for colonial administration was here in Seville. This great square building was built in 1598 as the Stock Exchange. And later as the Archivo General de Indias, it came to house the paper produced by the colonial bureaucracy. Here the paper remains, neat row after row, room after room. By 1700, some 400,000 regulations governing colonial affairs had been issued. An effort in 1681 to consolidate and codify these had produced some 11,000 chapters. Those that applied, the colonial administrators were presumed to know and follow. The Spanish Empire may have survived only because its regulations were so numerous that no one imagined that they could be enforced.

Speaker 3

Thanks very much. Some of the surviving paper is an absolute delight. Here is a letter from Columbus himself, dated the 5th of February, 1505. It's to his son, Diego, and it deals with various family, financial, and business affairs. This letter is from Cortes in 1526. He describes his voyage from Havana by way of San Juan to Mexico, and he warns that there are some very rebellious tendencies in the New World. This one is dated 1539, and it's from Francisco Pizarro to the Queen of Spain. Pizarro says he is sending her some emeralds and he very thoughtfully asks that she acknowledge by receipt. Some authorities we saw earlier believe that Urban II launched the Crusades because he was attracted by the idea of having the Crusaders, who many people thought a rather inconvenient set of ruffians, safely away from Europe and in the Holy Land. I think it's fair to say that any Spaniard who knew the Pizarro brothers well must have rejoiced at their being in Peru. These documents, this great pile of papers, tell their own tale about the eternal ways of bureaucracy. In 1654, as they tell, one of the great cathedral churches of Mexico was badly in need of repairs and restoration. and permission was being sought to spend money to fix it up. Permission was still being sought 20 years later in 1672, and the matter was not disposed of for another 60 years.

Speaker 2

Eventually, like all the others, the Spanish Empire came to an end. Partly it was a revolt of the powerful colonists against the Spanish bureaucracy, which sought, among other things, to restrict their greed. Partly it was because the Spaniards in common with all others had ceased to believe that the colonies were worth the effort. Spain had come to

rely on colonial troops for colonial defense, proof again of the diminishing interest. The Bonapartes after 1808 did not command colonial loyalty. Why fight for a Corsican sovereign? Spanish decolonization, as was often the case, was in two stages. First came independence, power to those who had power in the colonies. Then as in Mexico, Cuba, Peru, came the further revolt against those who succeeded to power after the break with Spain, the great landlords, and also the foreigners in the church. This further revolution is one that still goes on. Spanish colonialism makes yet another point. The revolt when it comes will be against both the governing country and its colonial policy. The Spanish colonies were elaborately, meticulously governed, over-governed. This no one has thought to be true of independent Latin America.

Speaker 3

British colonialism, on the other hand, was informal, decentralized, relaxed, and the same was true of the colonial administration of the Dutch and unless in measure that of the French. Until the last century, except for the special case of India, Britain didn't even have a central department for colonial affairs. This tradition, the British tradition, was far more open to the Smithian ideas which made both colonies and the colonists responsible for their own well-being.

Speaker 2

Colonial management in India was delegated, of course, to the East India Company, and this was its staff college at Haileybury near London. The company employed three of the great economists of the last century, Malthus, James Mill, and John Stuart Mill. But they joined with David Ricardo in opposing exclusive trading privileges for the company. The hand of government should be light, trade should be free. And so, relatively speaking, it was. In the Spanish colonies in 1776, the government of George III would have been thought a beacon of liberalism. In the time of Clive and Warren Hastings, the British motive in India was fairly candid. It was to trade, make money. You govern, kept order, showed the flag to such end. But with time, motives became more complex. It was a civilizing mission, a need to help a backward people. And above all, there was a concern for government and the rule of law. And these, we must be clear, came to have a specific place and power of their own. In 1856, two years before the East India Company gave way to direct British rule, a young Englishman came here to Haleybury to prepare for a career in India. His name was John Beams.

Speaker 1

Haleybury was a happy place. though rather a farce as far as learning was concerned. In fact, you might learn as much or as little as you liked. But while the facilities for not learning were considerable, those for learning were in practice somewhat scanty. The men, few in number, who really ground or mugged or sweated, euphemisms by which the use of the word work was avoided, were looked on by the majority as amiable but

misguided enthusiasts and as fit objects for the more boisterous kinds of practical joking. A good many of the men were sons of members of the Indian civil and military services. In spite of this, however, there was little or nothing in the tone of the place or in our habits indicative of our connection with that country.

Speaker 2

It's obvious that Haley Berry did not turn out carefully disciplined bureaucrats in the Spanish mold well-versed in Indian affairs. The graduates were meant to cope with whatever problems might arise by drawing on a liberal education and common sense. However, one should also allow for the possibility that Haley Barry had poor teachers and was badly rot. No one should ever assume deep, recondite purposes when there is such a good and everyday explanation as that.

Speaker 1

It was considered bad form to talk about India or to allude to the fact that we were all going there soon. All we knew was that it was beastly hot and that there were there, and that it would be time enough to bother about it when you got there.

Speaker 2

Beams got there in 1859. He was 22, and his first posting was to the Punjab, which had been subdued in the next only 10 years before. His district, the large one, was Gujarat, north and west of Lahore. He journeyed there by Dhakgari and mail cart from Calcutta. Especially as regards his early life in India, Bheem says something very close to total recall. I doubt that there is a better guide to the motivating forces in British colonialism in the last century or a better warning against oversimplification.

Speaker 1

The mail cart for Gujarat turned out to be a small box on two wheels. The seats were set with an iron rod, so contrived that at every jolt it caught the passenger sharply in the back, inflicting acute pain. The coachman drove like Jehu, the son of Nimshi. He seldom slackened speed and very nearly drove over everyone and everything he met. Thus we went on and on, jolting and bumping over the rough half-finished roads. At length we crossed the broad Chennai, and after seven more miles of the agonising bumping, we suddenly stopped in the mist at a lonely little post house on a broad plane. The coachman threw down my valise and bag. As I looked surprised, he explained that this was Gujrat. I got down and stood stupidly staring while the driver gave a terrific blast on his bugle and vanished into the darkness, leaving me half frozen, bewildered and aching in every limb by the roadside. A sleepy policeman with a lantern came out and took my bags. This was Gujrat. It was 4 in the morning of the 7th of March, 1859. It had taken me 24 days from Calcutta, a distance by rd of about 1,250 miles, or perhaps a little more. It was now necessary, as the first thing, to find a roof to shelter

myself under. After going a short distance, we came suddenly on the Duck Bungalow, the stranger's natural home in an Indian station. I saw a room within and a bed in it. on which I incontinently flung myself and fell asleep immediately. When I awoke, it was broad daylight, and I was lying just where I'd thrown myself a few hours before, greasy, aching all over, with a parched mouth and a swimming head. So I fell to shouting, coy hey, till a greasy muzzle man appeared with a cup of tea. This done, one greasier even than himself brought several earthen jars of cold water. I stripped, bathed and scrubbed and deluged myself with water till the aching left my limbs. I put on clean clothes and felt myself a new man.

Speaker 2

Now at last, Beams met his superior officer. Beams had been appointed as assistant magistrate and collector. Which is to say, general deputy to the man who ruled the region, served as judge and collected its taxes. The titles tell of two major preoccupations of the British in India by this time. Government, meaning mostly fair taxation, and the law.

Speaker 1

Presently, a thick curtain was lifted and the Deputy Commissioner, Major Robert Roy Adams, came out. He shook hands cordially and said, Where have you come from and what powers have you got? I did not understand what he meant by powers, so I simply said that I had just arrived from Calcutta and that this was my first district. Adams, ignoring in true Punjab style the possibility of anyone being tired or wishing to do anything but work, said, now let us go to court. Whereupon A chaprasi brought a pistol in a belt which he bad me put on. He advised me to wear it always except in my own house. And this caution was not unnecessary, for it was not unusual in those days for European officers to be fired at by Muslim and fanatics. Poor Adams himself met his death in that way a few years later.

Speaker 2

Let me interrupt Beams to observe that he has let us in on a secret here. There is already dissidence, resistance in his district. But note the certainty and contempt with which he dismisses it. Fanatics. He and his colleagues were engaged in good and virtuous work, and who could be opposed?

Speaker 1

In the middle of a plane, dotted here and there with groups of suitors waiting for the courts to open, was his courthouse, a large, long, and not very hideous building. Adams led me first to his own court, a roughly furnished room full of native clerks who all rose and saluted, bowing almost to the ground as we entered. Here I was sworn in with the oaths which it was still the custom to administer in those days, and signed a certificate

to the effect that I had that day in the forenoon assumed charge of my office. Then he said, in his sharp, jerky way, This is your court. These are your clerks. Now go to work. And before I could open my mouth, he had turned and abruptly left the room. This was throwing one into one's work with a vengeance. Here was I, as ignorant of the whole business as a child, with 100 questions to ask, and no one to ask them from. Of law and procedure, I, of course, knew nothing. However, no time was to be lost. The head man rose and said, These are the cases on your honours file for trial. What is your order? The people were already staring at me rather wonderingly as I hesitated for a minute. I said, as by instinct, Call up the first case. Though what I was to do with it, I knew as little as the man in the moon. He smiled, as who should say, guessed right first time. He mentioned some names to an amla who went out onto the veranda and bawled loudly for some minutes. Then entered a dirty, greasy shopkeeper, the plaintiff. He spoke Punjabi, of which I could understand not one word, but the Sarish Tada translated it into Hindustani as he spoke. So I got on wonderfully well. I was furnished with a printed form and requested to fill in certain columns. By 4 o'clock, I had disposed of all my cases. I went to bed intensely tired, but very much interested in and pleased with my day's experience.

Speaker 2

For some in this world the light, and for some the darkness. In colonial Spain, the saving of souls and the collecting of treasure were the preoccupations of different men. And so it was in India. Beams was always of the light, not religion, but government. He went on to serve in Bengal, and 14 years after his arrival, was in charge of Cuttack in Orissa and the large surrounding district.

Speaker 1

The great charm of the work of civil officers in India is its variety. In the course of 1 day's work, one has a dozen or more different things to do, each presenting some new feature of interest. So that if one goes to bed very tired at night, it is not the depressing weariness of sameness or drudgery, but the healthy fatigue of keeping mind and body on the stretch with a multitude of ever-varying calls on one's attention. And the joy, than which I know no greater, of feeling that one is working and ruling and making oneself useful in God's world. We got up at 5 or thereabouts, drank a cup of tea while the horse was being brought, and I went for my ride.

Speaker 2

Good morning. Morning ride was the ritual of the Indian civil service, still sometimes practiced. As an ambassador there, I was once persuaded for some weeks to the custom. It was a terrible thing for the horse. In those days, it was more than exercise. It was also government. A look at the fields and paddies, the new irrigation canals, and an example of early rising vigilance to the police and the soldiers.

Speaker 1

Governing men is grand work. the noblest of all occupations, though perhaps the most difficult. But as I acquired by degrees more experience and greater familiarity with those petty but indispensable matters of routine which hang about all work, I began to feel my strength and enjoy my duties more. Returning about 6.30, my wife and I had our regular chota haziri in the veranda. Our little girls, who had been for a ride on their ponies, played around us. Then I went round our beautiful garden and gave orders. About 7, the post came in and we looked at our letters, discussed any matters requiring arrangement, and read the paper, The Englishman, the leading journal in Bengal in those days. At 10, bath and breakfast and off to court in my broom, a drive of three miles, during which I read official letters or thought over the day's business. Our instructions were to decide all cases by the light of common sense and our own sense of what was just and right. On reaching office about 11, the first thing was to take the foulge dowdy or magistrate's work. The public crowded into my large courtroom and presented many petitions, each of which was read to me by a clerk and orders passed thereon. Now followed interviews with the head clerks of each department. Magistrate's office, excise, stamps, treasury, customs, salt, road cess, municipal, education, registration, land revenue. Each man brought those papers on which orders were required, took his orders and departed. When they had gone, I wrote replies to letters from the commissioner, board and other officials and was usually a good deal hindered and interrupted by deputy collectors and other offices coming in to speak to me about this or that. Generally, however, by 2:00 the correspondence was finished. Whether it was or not, at 2:00 we had Tiffin, and we wanted it. At this meal, the joint magistrate, the deputy commissioner, and the district superintendent of police joined me. And while we ate, we talked shop and got through a good deal of business.

Speaker 2

There was paperwork here too, but with a difference. The Spanish paper was regulations, requests, reports and compliance. British paper was the record of past action, proof of correct and just procedure, and the assurance of just future action.

Speaker 1

By 4:00, the work was done, and I went home. Around 6, I drove with my wife. Our dr generally ended at the club, where we met nearly everyone in the station, both men and women.

Speaker 2

That was another confession. A superior and exclusive caste had been formed by the colonists. It seemed wholly innocent on the veranda, but the reaction from beyond the

hedge or fence, especially from the rich educated and cultivated Indians, the Nehru's and the Gandhis, was something else again.

Speaker 1

About 7.30, we drove home to dinner and were generally in bed and asleep soon after 9.

Speaker 2

There are also things in India that the happy few on the veranda could not see and didn't see even when, in accordance with a wise custom, they carry justice and tax collection out to the countryside. They couldn't see local abuse and mismanagement of Indians by Indians. And in time, this would act strongly against the foreign rulers, and especially in some of the princely states where mismanagement was sometimes accepted as a matter of policy.

Speaker 1

The poorer classes of the rural population were very heavily oppressed. We did our best to protect them, but a mere handful of foreigners in so large a country cannot even hear of many of the things that are done behind their backs.

Speaker 2

John Beams was probably more efficient in dealing with British than with Indian abuse. In 1866, a British indigo planter was accused of terrorizing his peasants. Beams moved strongly against him. He shows how remote he was from those who were in India to make money, and also how superior he felt to those so concerned.

Speaker 1

It was not from mere lust of power that I insisted on being master of my district and having my own way in all things, but because the district was a sacred trust delivered to me by the government, and I was bound to be faithful to that charge. I should have been very base had I, from love of ease or wish for popularity, sat idly by and let others usurp my place and my duties. Ruling men is not a task that can be performed by le premier venue. And though I was comparatively young at it, still I had five years' training and experience prefaced by a liberal education, while these ex-mates of merchant ships and sea devant clerks in counting houses had neither. I had to do my duty according to my lights.

Speaker 2

The rule of law extended to the far corners of India. To this distant village came the court and the call, all with petitions to be heard, draw an eye. In the half century following Bheem's arrival in the Punjab, India was, I believe, the standards of the time, one of the better governed countries of the world. Persons and property were safe,

thought and speech were secure, more secure than in recent times. There was effective action to irrigate land, arrest famine. Docks, roads, bridges were built. Railways, also built as a defense against local famine, spanned the subcontinent. The courts functioned in the main impartially, and to the very great pleasure of the litigiously minded Indians. All was accomplished by an incredibly small number of people. The Indian Civil Service never enrolled more than 1,000 Europeans at any one time in its history. The cost of government is no detail in a country where everyone is poor, nor is justice in the collection of rents and taxes. The Raj, for its time, was also very efficient in building irrigation works, encouraging railways, and in enforcing law and order, religious peace in particular. It was an infinitely better government than that of the corrupt and archic, exploitive, undisciplined despots that the British had replaced. Once in a relaxed conversation, I asked Nehru, When should the British have left? What was the optimal year? He exploded. They never had any business being in our country. I reminded him that P.C. Mahalanovis, the great statistician and a mutual friend, had said that for the 1st century, the British were seen as liberators in Bengal. Nehru subsided and smiled and conceded the point. He said, well, they should have been gone after the First World War. India was the great test. The British were race-conscious, clubby, sometimes arrogant. But those like beams that gave their lives to India were greatly respected by the people they ruled. And they, in turn, loved India, the grandeur of its people and its culture and its scene, as this remarkable building, the Royal Pavilion here at Brighton, so wonderfully attests. It was never so nostalgic a club as that of the old India hands, I know, for I'm myself a kind of modern honorary member. But like all efforts by one people to rule another in the distance, this one too failed. What was it that turned the confident assertion of a right and a duty into a rush pell-mell to get out? History has few neat turning points, and colonialism in India is an exception. The zenith of imperial power was the great Durbar in Delhi in 1911, attended by the new king emperor and his queen. Hollywood apart, the modern world has not elsewhere seen such pomp, such pageantry. The surviving feudal rulers came to pay homage to their master. The forces that would act to expel the ruler were already present. Those that would weaken his will would very soon follow. The wars were just ahead. World War I would weaken, destroy the old ruling classes in Europe that were the strongest defenders of the colonial idea. Also the empires within Europe, as we'll see next time. And both wars would create a heavy obligation of the rulers to the ruled. The train of ideas and events was in motion, slowly but inexorably. No empire ever had such a resource in colonial manpower, disciplined, intelligent, numerous, to which to turn. Its use in the two wars created a strong moral obligation to concede self-government and independence to those who had served so well. Some saw the obligation the other way around. The troops should defend the empire against the Congress Party. In France, in Libya, and in Burma, Indian troops have given their lives fighting for a cause they know to be just. They represent the spirit of India, not the Congress mob. A mob swayed by the eloquence of their leaders into falsely believing that an India without England would

be an India for the Indians. But it would be an India without England. I'm an economist. As a matter of trade union pride, I look very carefully for economic causation. I do not think economics had much to do with Indian independence. Englishmen were there to make money. But the moneymakers were not at the center of the tension or resentment. There were English capitalists, but by the time of independence, there were also great Indian capitalists too. The English firms were not, I think, regarded much differently from the Indian firms. Some have seen independence as a reaction against capitalist exploitation. If that was so, the Tatas and the Birlas would not have survived, and they've survived very well. The station stops that led to independence were the wars, the growing self-confidence of the Indian elite, the men and women who had been educated for independence at Oxford and Cambridge, the London School of Economics. The belief, the very persuasive belief, that modern governments could do more than provide law and order, build canals and railroads, an idea that came also from England. But the most important of all was the indignity of feeling and the tension and the misunderstanding that develops when one people govern another and a different people at a great distance. Why, Indians asked, do we have to go to London for our rulers? Why not our own, ourselves? That, above all, was the fuel that powered the train. Simon Attlee would dispatch Mountbatten, the last viceroy, with a timetable. Lord Mountbatten was to act with soldierly and viceregal force, to be a man of will. He was to show that the will to stay was now gone. Viscount Radcliffe, not out of knowledge of India, but out of a reputation for judicial impartiality, again the law, was given the task of dividing the subcontinent The only solution that seemed to allow of immediate independence. India, Pakistan, barriers now between. As ever, there was the nasty end. Partly it was the nature of the solution. There was no way to divide India neatly, Muslims here, Sikhs and Hindus there. So millions ended up on the wrong side. So there had to be migrations. And the movement was intensified by fear. In Spain, the reaction was against over-government. The first casualty here was the law by which this colonial power had set such overwhelming store. For centuries, Hindus and Muslims had given much careful thought to means for provoking each other, noisy music outside the mosques, cow slaughter. There was much grim history to redeem. Now was the time for settling the old scores. The law was gone. The railway was the greatest physical symbol of British achievement in India. Now it was the scene of the greatest revolt against British law and order. The railroad cracks and stations were the focus of some of the most intimate acts of cruelty of modern times. Moslems slaughtered Sikhs and Hindus, and Sikhs and Hindus slaughtered Moslems. And this they did with clubs and knives by hand. Trainloads of fleeing refugees were ambushed, and the passengers killed every man, woman, and child. For days, the trains of dead arrived at the stations near the border. as here at Lahore, carrying bloody cargoes from both sides. No one here could doubt that India was affirming the first fact of colonialism, the bad end. This was the symbol of law in Lahore, the great bronze statue of Victoria. In 1947, as the dead lay in the station, someone seems to have sensed the current reality. An unknown hand,

Indian or Pakistani, put a black wreath at her feet. What was probably the best effort had the worst end, or as bad as any. But there were many more. The same resentment against government from a distance, of people from a distance, the weakened will to stay, the disorderly exit, here from Algeria. This too was an intimate and bloody conflict. France, more than any other colonial power, treated its colonists as equals. And the French colonial peoples never questioned the depth and charm of French culture. that Paris was the center of the universe. This did not save French colonialism. The French had settled in Algeria, the Pienne War, but back to France. The Congo, too, had a messy end. This was true even though the Belgians saw the end coming, saw it coming more clearly than any others and acted in advance. The Russians had to leave Katanga. The Chinese had to leave Ghana. Ideologies may differ, also the scale of the effort, the result is the same. Especially it was the same for the Russians in China. And eventually the Portuguese had to leave Angola, a very sudden weakening of the will to stay. The old Portuguese heroes suffer. The Portuguese do not stay to see. For Americans, there was Vietnam. The end there should not have been surprising. there had been a notable local warning. Unfortunately, not one American in 1,000, and even fewer Englishmen, know that at the close of the last century, Rudyard Kipling lived here in southern Vermont. The house he built is still here, a large, rather spooky Victorian affair. No one knew more about colonialism than Kipling. No one had celebrated it more powerfully or warned more trenchantly of its dangers. In this room, which was his study and which is pretty much unchanged since that time, Kipling wrote two of his most famous works, The Jungle Books and Captains Courageous. Having lived in America, Kipling felt free to give advice when our colonial adventures began. That was in 1899 when the Spanish-American War brought us to the Philippines. No one then blushed to speak of white men and their responsibility, but better that they should know what to expect. And Kipling told of this in what was perhaps his most famous verse. Take up the white man's burden, the savage wars of peace, fill full the mouth of famine, and bid the sickness cease. Go make them with your living, and mark them with your dead take up the white man's burden and reap his old reward the blame of those ye better the hate of those ye guard the hate came soon enough with the Philippine insurrection a nasty frustrating struggle but the really savage war of peace for Americans came a lot later in Vietnam In Vietnam, only the words were different. One guy got on. As a acre, they came with the cash. This time it was for space on the planes and helicopters. These were faster than the galleys and the trip was over more quickly. By this much had colonial enterprise, effort to govern shape development from afar, changed in 700 years. The helicopters landed on the carriers and there was no space. So they went overboard as previously had the illusions of a compelling mission as previously had the will to stay. At Anchor, in Spanish America, in India, Algeria, China, it had all happened before. This time, it could be watched on television. Does the colonial experience belong forever to history? Well, I for one think that it does. The United States has some very badly burned fingers, and so we should remember does the other superpower, the Soviet Union. The last 20 or 30

years, the Soviets have sought to extend their influence to China, Indonesia, Egypt, Ghana, elsewhere in Africa and Asia. And contemplating the results, they can hardly feel pleased. When Ben Bella, a Soviet acolyte, was deposed in Algeria, I remember a Russian newspaper correspondent saying to me, rather sadly, They even used our tanks. Well, at least they didn't use our advisors. The Soviets, too, have experienced the blame of those ye better. I expect there's now a volume of Kipling in the Kremlin. But though colonialism is dead, the scars will remain for a long while. The old colonial powers are now the rich industrial lands, and the former colonies, their former colonies are the poor countries of the world. And colonialism gets the blame for this poverty. Sometimes it gets the blame when local failure, the absence of conscientious and honest efforts by local governments and local politicians, might be a more useful explanation. The colonial experience also deeply colors relations between the rich countries and the poor. This experience and the difference in wealth supports the case that the rich countries have an obligation to help the poor. It's an obligation to which I strongly subscribe. But it is not an easy obligation to assume, even when the will and the money are available. Keep your hands off, do not advise, wait to be asked, and then you will be thought indifferent. or you are forthcoming, interested, involved, you urge what you think is right, and then you risk being called a neocolonialist. It's a delicate line, and to this delicacy, I can testify from experience as ambassador in India. My instinct was to get involved, very much involved. And in consequence, the late Krishna Menon, in a memoir, remembered me principally as a man who yearned to be the new viceroy. A very dangerous ambition, and I had been warned because I had read my Kipling.

Audio file

119089-TheFatalCompetition.mp3

Transcript

Speaker 1

No problem in our time is a fraction so important as that of the arms competition between the United States and the USSR. It deeply involves economic and political life. It could bring all life to an end in ours. In this program, I propose to take a cool look at this competition and not spend much time assessing blame. Both sides concentrate sufficiently on that now. My only assumption will be that all people, regardless of ideology, want to live. What is the nature of this terrible competition? What faith sustains it? Or what ideas? How have the ideas changed with the years? And what is the escape? We come naturally for an answer to the United States Air Force Academy, to this spacious and glittering campus, which is at the marvelously sharp line where the Great Plains end and the Rockies begin. The Air Force is the primary custodian of the American side of the competition, and its campus is the natural bridge between the ideas and the action. The sense of US-Soviet competition proceeds, I believe, from one of two ideas. The older of these ideas we may call the official faith, and it's manifested here at the Academy. This faith holds that the competition is the result of an irreconcilable conflict between inherently hostile systems. Their communism, peer capitalism, Their authoritarian discipline, here liberty, their atheism, avowed materialism, here faith, spiritual values. The Air Force Academy Chapel here at Colorado Springs is in a way a metaphor of this faith. The controversy that its highly engineered architecture has aroused, I find myself admiring it, suggests the dispute that this faith engenders. In this faith, no reconciliation is possible. Two economic and political systems are in enduring conflict. Those who believe in accommodation between the systems do not understand the depths of this difference. They are naive and thus open to the cupidity, the cheating of the other side. But there is a second, more recent view. The military forces in each country exist in a symbiotic relationship with those who develop and manufacture the arms. Each lives off the other, each contributes to the other's growth. And the United States is then locked into a symbiotic relationship with the Soviet Union. and vice versa. In this relationship, each country, by the weapons it invents and inquires, provides the need for the other power to do likewise and more. Each works with the other to ensure that the competition is self-perpetuating. No faith sustains this competition. It's a trap. Mankind is its victim. There are many ways that the history of the last 30 years might be written. I see it

overwhelmingly as a movement from a conflict in faith to an acceptance of the trap. All of us in such matters are the products of our education. Mine began at the end of World War II in Berlin. I knew Berlin before World War II for reasons that seemed impressive at the time. I came here in 1938 to study Hitler's land and agricultural policy. My next glimpse of the city was when the American forces moved in during the summer of 1945. One thought of the landscape of the moon and it was a phrase that came to many lips. When eventually we saw the landscape of the moon, we learned that it was more austere, more chaste, and much less alarming. In pre-war times, this was the Haus Vaterland, a famous conglomerate of restaurants and cabarets. Each of the different watering places featured the music and costume and food and alcohol of a different part of the Reich. In 1945, pretty much all of Berlin proper looked like this.

Speaker 2

Buildings are a metaphor of the suffering that goes with war. The experience of horror is by people, but that does not persist. Soon it cannot be seen. Only in structures does it really endure. In Berlin, the horror of war endures here, endures most widely in what was once a music hall. That horror is no small thing. That summer, I was at a military headquarters near Frankfurt, where we were studying the effects of the air attacks on Germany.

Speaker 1

One morning, one of my colleagues, George W. Ball, later Under Secretary of State and much else, called to remind me that the Big Three would soon be meeting at Potsdam to decide the future of Germany. He was not a modest man, and he thought we should attend.

Speaker 2

I noted as a difficulty that we hadn't been invited. George said that to allow hurt feelings to keep us away would only compound that error.

Speaker 1

We flew to Berlin, went to the conference compound, and began operations with an excellent lunch at the senior officer's mess. My concern with reparations, economic policy, currency reform deepened. And in 1946, I became the State Department bureaucrat in charge of economic affairs in the occupied lands, principally Germany. A less powerful job than it sounds. I came back to Berlin. By 1946, two parties had begun to take form. One party very much wanted to get along with the Russians. They, I think I should say we because I belong to that party, saw very little hope for the future of the world. unless there was peace between the two powers. And there were certain things to encourage us. When we met socially with the Russians, we saw how passionate was their desire for peace. Some of our senior military people were similarly moved. They

had had experience of war, and they had had enough of it. But there was a second party. We met almost every evening for discussion in the big villas of the Nazis and the former German rich. The bombs had taken the houses of the poor. Now the Allied occupation took those of the affluent. This second group regarded our hopes as ridiculously soft-headed. Some were only showing how tough-minded they could be. But some spoke out of a knowledge of Stalin, a genuine concern for his intentions. Eastern Europe was gone. Surely Soviet ambitions extended to Western Europe, a far greater prize. Some were conservatives who had heard of Marx's world revolution, and the revolution could now be seen just across the lake in East Berlin. Present too were the pathologically belligerent, who like the poor are always with us. Some had found the war an exciting thing, and better another than going back to Indianapolis. Present too, unless one is gifted in evading the obvious, was economic interest. The war had provided jobs, started and expanded the factories, better military tension than back to the Great Depression.

Speaker 2

No one, or anyhow, not many, openly argued that the economic gains of the war should be preserved by the invention of a new menace. Economic interest always wears the disguise of national interest. It always has the solid respectability of practical business achievement. So it was then, and so it still is. One had an uneasy feeling that the respectable view would eventually triumph. And so it did. It had excellent help from the Soviets. In 1948, land and water communications with Berlin were interrupted The barriers came down. Time has changed the view of this event. Few people think that the Soviets wanted to risk conflict, armed conflict in 1948. They were engaged in acts of harassment, not seeking the final showdown. If a convoy had presented itself firmly at the barrier, as many advocated at the time, it would probably have been let peacefully through. But we had airplanes, as often before and often since. Policy was made by that fact. We have the planes. Let's show what they can do. And it is not easy to criticize men who wished at whatever cost to minimize the risk of armed conflict. I do not do so. And so came the airlift. By the spring of 1949, 8,000 tons of freight was being landed each day in Berlin. This was enough for survival. Berlin.

Speaker 1

Not the only point of confrontation. A chain of events in those years was admirably designed to prove the inevitability of conflict, the march of world communism. The newsreels of the time recall a feeling. The Czech takeover of 1948, the Chinese Revolution completed in 1949, and the Korean War, 1950.

Speaker 3

Report from red-dominated Prague. February 21st and the beginning of the four fatal days that ended freedom in Czechoslovakia. Leaving their factories, Czech Communist

Party members marched to the town hall square. The situation is tense. 12 non-communist members of the national cabinet have handed in their resignations, protesting the new consolidation of all police power into communist hands. In these films just released through the new censorship of Czechoslovakia, Communist Premier Clement Gottwald denounces the ministers who have resigned as agents of foreign reaction.

Speaker 1

Again, in retrospect, our view of these events has changed. Each had its separate logic and no grand strategy was involved. Earlier Soviet steps in Eastern Europe, the Balkans, had not been resisted, and some had been effectively sanctioned in wartime discussions, notably those of Churchill with Stalin. The Chinese we no longer see as Moscow puppets, instruments of a grand strategy masterminded from the Kremlin. The very idea sounds odd, but it didn't seem odd back then.

Speaker 3

Another retreat for China's nationalist soldiers. Government troops pull out of the communist-threatened areas of Shanghai and Nanking, headed further south. Among those who have left Nanking is the Generalissimo himself, Chiang Kai-shek, whose fading fortunes parallel those of his falling regime.

Speaker 1

That the North Koreans invaded South Korea, despite some revisionist history, is not in doubt. That it was part of a grand strategy of Soviet expansion is now very much in doubt. It too was probably an act of local initiative. None of this was then seen. Together, this march of events was devastating, and those who did not accept the inevitability of Soviet expansion cannot easily blame those who did. Then in 1949, the first Soviet A-bomb was exploded well before schedule. Surely the work of spies, it was thought. To the other tension was now added the transcendent fear of nuclear destruction. And so the confrontation, in all its rigidity, was a perilous moment in history. And there's a sobering thought here how much of the knowledge on which we then base decision has been since revised or eroded. Those who questioned were now no longer defeated in argument, and some were suppressed. Search for the more articulate, became an industry. The symbol of the search was Senator Joe McCarthy. McCarthy, however, was an aberration soon to be struck down by alcohol and his curious inability to distinguish friends from his enemies. He owed much of his place in history to the need that many felt to deny their own past hopes or other hard thing to do. The true voice of the times was John Foster Dulles, law, religion, corporation lawyer, Wall Street, all the classical requisites for opposition to communism. Above all, it was John Foster Dulles who articulated the faith on which the conflict with the Soviets would be based. And it was richly in keeping with his own origins. Dulles grew up here in

Watertown on Lake Ontario in northernmost New York state. His father was the Presbyterian minister in the town, and the countryside was only a step away. As a boy, he sailed on these waters with Alan Welch Dulles, his brother, partner-in-law, and in the Cold War battles to come. John Foster Dulles' case for the inevitable conflict avoided economics, no deeply suspect defense of capitalism and no defense of democracy. We might have dictators on our side. His was a crusade for moral values, right against wrong, good against bad, religion against no religion, the faith of the average, neighborly, God-fearing American. It was, let us note, a faith that required our policy to be either strictly moral or very cynical. And this was to be a problem in years to come. Tullis himself wondered, From his small town origins, he went to Princeton and was intended for the ministry. But soon he was persuaded that he could secure his faith almost as adequately as a lawyer. By the age of 38, he was the senior partner of Sullivan and Cromwell, perhaps the most prestigious of the great Wall Street law firms. Wall Street was not exactly small town America, and people do not think of corporation lawyers as being primarily concerned with God's work. They're thought to have more remunerative clients. Dulles in 1929 was even a director of Shenandoah and Blue Ridge, the classic Goldman Sachs promotions that dissolved into very thin air when the stock market crashed. More wandering from his origins. Thomas E. Dewey, who launched Dulles in politics, said later that Dulles even took a temporary leave of absence from religion in these years. He was an atheist, a very far cry from the boyhood days. However, almost everything having to do with John Foster Dulles is a trifle ambiguous. Almost all historians, friendly or otherwise, refer to his brilliant mind. Harold McMillan, on the other hand, who saw much of Dulles, was reminded of a statesman of whom it was said that his speech was slow, but it easily kept pace with his thought. Most people thought Dulles was paranoic where communism was concerned, but some said he got along well with the Russians. He was very much what they expected a capitalist to be like. In the Suez Crisis of 1955, he lined up with the Soviets against the British and the French and the Israelis. What is certain is that Dulles had what we may call the instinct for command. This is something that's very important. There's a type of person who out of the very certainty of his purpose, right or wrong, assumes leadership and is conceded leadership. Douglas MacArthur was such a man. So was Charles de Gaulle. So we have seen was Lennon. There's an old Scottish saying that celebrates this kind of individual, where McCrimmon sits is the head of the table. For exercising power, this instinct to command is a far, far more important thing than brilliance of mind or eloquence of speech or charm of manner. After World War II, Dulles revived his interest in religion and became active in the National Council of Churches. He had been at the Versailles Conference as a young aide, and now he also concerned himself again with foreign policy. He helped negotiate the Japanese peace treaty, and in 1953, Eisenhower made him Secretary of State. Not only was he now in office, so was his moral sanction of the Cold War, the inevitable conflict. John Foster Dulles was not a popular figure with liberals of my generation. Some of us agreed.

Speaker 2

With Reinhold Niebuhr, the noted theologian, who once said, Mr. Dulles' moral universe makes everything quite clear, too clear. Self-righteousness is the inevitable fruit of simple moral judgments. Holding and remembering, as I do, these attitudes, I think it well.

Speaker 1

To let Mr. Dulles speak for himself. This he did at this, his father's church, on October 11, 1953. The.

Speaker 4

Terrible things that are happening in some parts of the world are due to the fact that political and social practices have been separated from spiritual content. That separation is almost total in the Soviet communist world. There the rulers hold a materialistic creed which denies the existence of moral law. It denies that men are spiritual beings. It denies that there are any such things as eternal verities. Any nation which bases its institutions on Christian principles cannot but be a dynamic nation.

Speaker 1

The Cold War was more than a moral and religious crusade. So long as it remained cold, avoided brute force, it came very close to being a Christian crusade. There was even that hint that it had the personal endorsement of Jesus. There was a further and much greater consequence. The moral case of Christians east of the Iron Curtain could not be inferior to that of their co-religionists in the West. They were as entitled to rescue as those of the West were to defense. The Dulles case for the Cold War therefore became a case for liberation, for rolling back the Iron Curtain. You will see the basic problem that I stress. If immorality was the faith of Soviet policy, morality had to be the test of ours. We would have to live up to our own precepts. But this we couldn't do, and perhaps no country could. The Dulles policy, therefore, had within it the seeds of its own contradiction and defeat. But this was in the future. For the moment, after Czechoslovakia, after China, after Korea, though Eisenhower had brought that war to an end, There was no opposition. The world was set for a further perilous passage not yet completed. I was co-chairman with Dean Acheson in the latter '50s of one of the minor intellectual organs of the Democratic Party, the Democratic Advisory Council. Acheson was chairman for foreign policy, and I was chairman for domestic policy. At our meetings, Acheson attacked Dulles lucidly, brilliantly, and with a kind of resourceful invective for being too soft on the Soviets. And the drafting of our foreign policy resolutions consisted, I sometimes thought almost exclusively, of toning down, often only very little, Atchison's virtual declarations of war. That was the nature of the political opposition in those days. At the more practical level, the Pentagon developed weapons

systems that were often duplicating, sometimes competitive, and which were routinely approved. The word Pentagon itself became a synonym for military bureaucracy and military influence. And a large and growing industry responded to its needs. We see now the beginning of the movement from the faith to the competitive trap. One of the great military developments of the time, of all time, Polaris, tells the story. In the 1950s, the Navy faced the fate of the man bomber. Surface ships, including aircraft carriers, were vulnerable to homing missiles. They might still be justified, but they were no longer a decisive weapon. And the solution was Polaris. Polaris was born here at Woods Hole on Cape Cod in 1956. People could assemble here for a summer in seeming innocence. The project was code-named Nobska, after the lighthouse. Eminent scientists assembled. Edward Keller. Columbus Isselin of the Woods Hole Oceanographic Institute. He brought a profound knowledge of the ocean depths. Robert Oppenheimer was not asked. His commitment to weapons development was in doubt. He questioned the wisdom of developing the H-bomb, so his security clearance had been lifted. Present also are people from MIT and the academic establishment and the weapons manufacturers, IBM, the Navy, the chiefs of staff. A symbiosis of the armed services, industry, the scientists, and the engineers. The problem to be solved here and around the Whitney House, how to devise a means of firing nuclear missiles from a submarine under water. It succeeded. It is now believed that Polaris was an answer to a Soviet threat that had not yet developed. It then produced the response with which it had been intended to deal. But this is a trivial detail in the larger game. In that game, we do what encourages the Soviet response, and they do what encourages our response. There had been a failure of intelligence on Soviet achievement, but initiation on either side does not wait on accurate intelligence on what the other side is doing. Good intelligence only stimulates the response. Our intelligence operation, the CIA, was now under Allen Dulles. He is not remembered for his capacity to avoid error. We do not know I should say I do not know the exact conjunction of interests that produces the Soviet initiative in response. But we do know that bureaucracies, great organizations, are much the same in the world around. It is fair to assume since Stalin's day, perhaps before, that the Soviet organizations that develop and make weapons see their bureaucratic prestige, position, and opportunity in the weapons that they can design and create for the Soviet armed forces. and that the Soviet armed forces see the constant development and increase of these weapons as the source of their bureaucratic power, prestige, and position. I've long felt there was a convergent tendency in great bureaucratic operations, east and west, and I believe it operates here. As the 50s proceeded, so did this race, each side supporting the other, and with very few questions asked. One of the first questions came from a surprising source, Nikita Khrushchev. He would surely be supported by another very strong voice, Dwight D. Eisenhower. The perception of Khrushchev was very different and very plausible. The bureaucrats, Malenkov, Molotov, Zhukov, had taken over after Stalin, Boganin, Khrushchev. Khrushchev was only one. Faithful, surely, to the old master. Bureaucrats do not change things. Khrushchev

traveled, visited the United States, spoke of the dangers of conflict in the nuclear age. The defenders of the notion of irrepressible conflict were not reassured. An infinitely tricky man, this Khrushchev, or a clever peasant. He had promised to bury capitalism. That surely meant the bomb. And there could be no reconciliation with a man who took off his shoes at the UN and banged them in public. The play was still with the defenders of the faith, military and civilian. In fact, as the 50s became the 60s, the perception of the conflict was changing, in the West and evidently in the Soviet Union too. In 1959, Khrushchev met with Dwight D. Eisenhower at Camp David. Khrushchev later called it the president's dacha. In private, if Khrushchev's memoirs are to be trusted, and neither the Soviets nor the CIA could possibly hire anyone with such a good imagination, the two heads of state exchanged thoughts on the way each was subject to the pressure for new weapons. Each in response to the warnings of their generals as to what the other country was doing. Each resisted, as each said, and each eventually gave in. Khrushchev continued to speak for peace.

Speaker 3

As a result of the useful talks we had with President Eisenhower, we came to an agreement that all outstanding international issues should be settled...

Speaker 1

And now as Dwight D. Eisenhower left office came his powerful warning, the most influential speech of his career.

Speaker 3

In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military industrial complex. The potential for the disastrous rise of misplaced power exists and will persist. We must never let the weight of this combination endanger our liberties or democratic processes. We should take nothing for granted, only an alert and knowledgeable citizenry can compel the proper meshing of the huge industrial and military machinery of defense with our peaceful methods and goals, so that security and liberty may prosper together.

Speaker 1

What was it that awakened us to the dangers of this fatal rivalry? A rivalry propelled by forces within and between the two countries. On the decisive forces, everyone must be allowed to make his own selection. My number five, they were Khrushchev, Cuba, the Vietnam War, the growing divisions within the communist world, and the persistent unwillingness of the human mind to accept persuasion that is in conflict with evidence. All who exercise power find this latter obstinacy by far the most annoying tendency with which they have to contend. To see the forces for change, we must go back to the early 1960s. Cuba is the kind of small country that history is intended to forget. It now

became very, very large in this time. First in 1960, the Bay of Pigs. Not it developed since Joshua's trumpets were turned on Jericho had there been a military operation in which there was so little rational expectation of success. The Bay of Pigs was at first defended by false denials of American involvement that the American people were expected to believe. This was a highly advertised rejection of the specific moral standard on which Dulles had based the war against communism. Then in 1962, Cuba again, the Missile Crisis. For a few tense and terrible days, people looked directly into the pit. There can be no doubt as to the result. Thousands and perhaps millions of people became open to the idea of an alternative to conflict. There were many speeches before on its inevitability. The generals were especially eloquent. There have been very few such speeches since. In 1964, Khrushchev disappeared from the scene, became a non-person. It was agricultural failure, not his foreign policy, that one is told, did him in. I think he deserves more in memory from his countrymen than he receives. Bureaucratic power, we can assume, was further strengthened. By now, there was a new denial of Dulles, another proof that the conflict with communism was not a moral crusade. That too concerned a country that history was meant to forget, Vietnam. Vietnam, its government, were a very, very poor advertisement for morality. And the result was something new in modern history. War invariably has ended all discussion, all dissent. This war encouraged it, and especially among the idealistic young who would also have to fight. The objection came to a head in 1968 at the Democratic National Convention in Chicago. I did not myself think this was a time for neutrality.

Speaker 3

It was easier to get in here than it was to get in the Democratic Convention. I'm happy to be here to address the government and the in exile.

Speaker 1

Those 10 days in Chicago before and during the 1968 convention were I think the most interesting of my life we had no hope of nominating a candidate but we could stand firm against any compromise that might endorse or excuse the war the peace forces would then leave Chicago far too large a group to be ignored. Our ranks held, and the voice for peace for once was more confident than that for war. The war was gradually wound down, eventually brought to an end. The Old Faith, meanwhile, had suffered another blow. China and the Soviet Union had fallen out. Were going their separate and now opposing ways. No longer a monolithic communism to oppose. Richard Nixon, at all give him credit, saw the opportunity, went to Peking, went to Moscow, and was welcomed in both capitals. The faith was gone. Was it ludicrous to hope that the terrible competition was now at an end? It was too optimistic. Though the motivating faith was now gone, the competitive trap by which each power contributes to the military expenditure of the other remained. Now a kind of naked competition, a naked symbiosis. And this is still with us. It's a solid, tangible thing. To see it one journeys out

to Tucson, Arizona, and then just out of town to the Davies-Monthan Air Force Base. So this is it. The armed services want to exist, and to exist they must have weapons. And the weapons firms want to exist, make money. To do this they must produce weapons, and the Soviets provide the justification, and we justify the same process in the Soviet Union. It is no longer believed that conflict between the two powers is necessary or inevitable. No one believes that either system could survive the conflict. We are reduced to believing that the competition prevents the conflict. Here is one result of the competition, the world's largest used airplane lot. Everyone by now must remember recognize the B-52, the latest military classic. The ethical position of the competitive weapons culture needs to be carefully understood. On our side in recent years, there has occasionally been open bribery. In 1975, the Lockheed Corporation was found to have distributed some $25 million to promote purchases of its products. The indignation was very great. And in Italy, Japan, the Netherlands, Germany, the effect on friendly governments and politicians could easily have led a paranoic anti-communist to imagine that the corporation had been taken over in its financially troubled days by some financially astute arm of the Soviet Secret Service. The need was to ensure orders and a continuing, unbroken assembly line, and not only by Lockheed. There are also more sophisticated manifestations where no money changes hands. That would be considered too crude, even obscene. This world influence is mostly a friendly, civilized thing which breaks no law. We should never be diverted by the search for corruption, even for gentlemanly misbehavior. Mostly the competition unites the efforts of honest men, men caught in the trap by economics, bureaucratic interests, The pressures to keep production going, international circumstances larger than they. And it goes on and on and on, rather like these helicopters. They're not, by the way, obsolete. They were, as it is said, made surplus to requirements by peace in Vietnam. There is agreement, even in high military circles, that the naked weapons competition simply cannot go on. There remains the hard question of what will take its place, what of the spending it ensures, the jobs it provides. John Maynard Keynes during the years of the Great Depression once proposed that the British government should put bundles of pound notes into disused coal pits and then fill them up. Much employment would be then created by men digging the notes up and much demand would be generated by the spending of the notes. This idea was never taken up. But instead, in the post-Keynesian world, weapons expenditures, the cycle of design, production, obsolescence, replacement, has served pretty much the same purpose instead. I once called this military Keynesianism. Military spending is certainly more easily increased than spending for civilian needs and welfare. Like those lines of helicopters, the limits are infinity. But I no longer think military spending is irreplaceable as a support for the modern economy. The civilian needs of a highly urbanized society of the great cities in particular are also infinitely extensible, as we shall see later in these programs. Somewhere in the USSR, there is also a Davies Mountain. It's not an easy place to go and photograph. As always, we see behavior and anomaly most plainly in the open society. But as the competition here

examined is two-sided, so are its costs. And as in the West, they're not confined to principles. This is the May Day parade in East Berlin. As in the Soviet Union, the weapons competition here too uses energies, resources, that are subtracted from urgent civilian need, a need even more urgent than ours. But the ultimate problem is not the cost, but the threat. The threat of mass reciprocal destruction. This threat comes to its ultimate focus here in Cheyenne Mountain, Colorado, NORAD, the North American Air Defense Command. NORAD is the command post for nuclear war, built one mile into the heart of the Rocky Mountains. It's a long way in. The doors are steel, 2 feet thick. It is hoped that they're also bomb-proof. To make this fortress yet more resistant to nuclear bombs, a few weeks more resistant than the people outside, each underground unit of the headquarters is sprung separately. The springs absorb the shock, leave the rooms functional. There are underground reservoirs for water. In case of attack, NORAD is self-sufficient for 30 days. This is the central control room. Here, the news of impending attack, if all works properly, will first be known. The responding decision is, of course, for higher authority, if he can be reached. A minor epilogue on the Cold War. Both Soviet and Chinese sites are now monitored from NORAD. This is a reminder that the day of a simple, unified, relentlessly probing enemy is past. It's a reminder also that to arrest and roll back the competition between the Soviets and ourselves is also an essential step for halting the spread. the proliferation of nuclear weapons. Unless that is done, the watch here at NORAD will one day become very complex. There will be no time for the children. There will be no children. The history of the arms competition we see is the history of the most formidable interaction of ideas and interests. Nationalism, patriotism, religious faith, rival economic systems, industrial and bureaucratic interest. All and more are causes. And all of them come to their ultimate point of focus here in the Pentagon, here in the Gold Room where the Joint Chiefs of Staff meet to make final military decisions and recommendations. I once came to this room in 1962 after the Chinese and the Indians had clashed in the high Himalayas. It was to lecture the chiefs on the military and political issues in that distant war. I don't know if they were impressed, but I can tell you I certainly was. What can we sort out from the conflicting forces that converge on this room? What is the current truth on this deadly competition? Where lies the responsibility for it now? And where lies the responsibility for bringing it to an end? We no longer believe, I don't think people generally believe, as did Dulles, that a deep moral issue is involved. There was once, I have no doubt, an economic imperative. In the years following World War II, the United States economy was sustained by a kind of military Keynesianism. But in more recent times, Germany and Japan have shown that the modern capitalist economy can function and can function very well without this military support. These countries have used their resources for new efficient civilian plant and equipment. We have used much more of ours for weapons. And this was their advantage in world trade competition. The competition between ourselves and the Soviets is increasingly narrow, increasingly simple. It is bureaucratic and technological. Each country has great organizations,

military and civilian. that are sustained by what the other does. What of the responsibility for arresting the competition? We shouldn't spend too much time looking for scapegoats or villains either in the military or in the supporting industrial firms. We should understand their function, their viewpoint, their bureaucratic and economic interests. and the perils to which they subject us and to which they subject themselves. But to bring the competition to an end, we must look to the civilian leadership. The responsibility must be squarely, unequivocally there. It is a political task, and in this game, civilian political leaders are the only anti-heroes. the only potential heroes. The United States can't bring this competition to an end by itself. But neither can we use the fact that we are in competition with the Soviets as an excuse for continuing the competition, something that we have frequently done in the past. We know that the Russians, far more than we, have had experience of the devastation of war. They have seen armies sweep over their land, and everyone who knows Russia knows how deep is this sphere, how deep is this scar. And Soviet leaders know just as well as ours do the consequences of a nuclear exchange. It is this basic community of interest that we must now cultivate. This must be the new symbiosis. The pressure must always be on our political leadership to lead. We don't hesitate to affirm our belief that we have devised a better life than the Soviets, and this should be our case for taking the initiative that we have more to lose. President Kennedy once laid down a rule, many of us heard him enunciate it, a rule for himself that I think might well apply to every politically conscious citizen. I never want to let a day pass, he said, without thinking about nuclear war and what can be done to lessen the risk.

Audio file

119088-TheMandarinRevolution.mp3

Transcript

Speaker 1

We have a great opportunity for world leadership. For many other countries are in the same plight that we were in. A considerable part of the world has followed us already. We may be able to make ourselves the center of a new international currency system including the whole of the empire and much of the rest of the world. But if we are to achieve this, we must free ourselves from the ******* of old ideas.

Speaker 2

John Maynard Keynes grew up against a background of the old ideas. His achievement was to change those ideas, but to preserve their setting. We've seen that it is intellectuals, not deprived and exploited workers, who make revolutions. That's why conservatives, quite rightly, view intellectuals with suspicion. Keynes was the author of what we now call the Keynesian Revolution. A comfortable origin here in the Cambridge academic world, then Eton, Then back here at King's, then the civil service, then life as a young Cambridge dawn, none of this sounds very much like the making of a revolutionary. The trouble is with the word revolution. His was a revolution designed not to change, but to conserve. Keynes believed that depressions and unemployment were destroying the world that he so much approved. And he sought to end them. And he sought also to end the traditional remedies for depression and unemployment, wage cuts, price cuts, public belt tightening, because these did not work and were as painful as the disease they were aimed to cure. Keynes' revolution, in other words, was something very odd. It was a conservative revolution designed to save the existing system. And Keynes was, in fact, what shall we say, an activist conservative. This was not how Keynes was perceived in his time. His disciples, I was one, liked to think of themselves as radicals. To this day, some of his aging followers still cling to that lovely thought. Keynes was born in 1883. His mother was a diligent community leader, and his father, John Neville Keynes, an economist, was the chief administrative officer of Cambridge University. Keynes, here watching the May races, had a completely happy boyhood. And likewise later, Keynes never sought to change the world out of personal discontent. For him, it was excellent. When he was finished with Cambridge in 1905, Keynes sat for the civil service examinations. And he did badly in economics. The examiner, she said, presumably knew less than I did. But this handicap was not fatal,

and he went to the India office, where he relieved his boredom by writing on Indian currency and the laws of probability. Soon he returned to Cambridge, still the Cambridge of Edwardian England. Here in training was the newest ruling class, not workers, not capitalists, not the old landed aristocracy. but the Mandarins, the intellectual elite that would occupy the real seats of power in Westminster. When the war came, Keynes was not attracted to the trenches. He went instead to the Treasury. And he quickly learned how to guide, drive, and succeed in the wartime bureaucracy. At the war's end, he was one of the most eminent of the Mandarins. He was, accordingly, a natural choice for the British delegation to the peace conference, and that, from the official view, was a bad mistake. Mandarins should be manageable, and Keynes was not. The armistice brought relief from death, and very soon there was hope of relief from debt. Germany should be made to pay. The mood in Paris, vengeful, myopic, indifferent to economic reality, horrified Keynes, and so did the civil servants, and so especially did the politicians. In June, he resigned and came home. He proceeded to compose the greatest polemical document of modern times. It was against the Versailles Treaty and against the Carthaginian peace. The economic consequences of the peace was published before the end of 1919. A modern publisher would have taken another year and got it out for the Christmas market in 1920. This was the message of the book. Europe would only punish itself by exacting or trying to exact more from the Germans than they had the practical capacity to pay. Restraint by the victors was not a matter of compassion, it was a matter of elementary self-interest. Keynes also contributed his impressions of the men who were writing the piece. Of Woodrow Wilson, he said, this blind and deaf Don Quixote. Of Clemenceau, he had one illusion, France, and one disillusion, mankind. His observations on Lloyd George were more severe. How can I convey to the reader who does not know him any just impression of this extraordinary figure of our time, this siren, this goat-footed bard, this half-human visitor to our age from the hag-ridden magic and enchanted woods of Celtic antiquity? No man is of perfect courage. Keynes deleted this passage on Lloyd George at the last moment. The judgment of the British establishment was rendered by the Times. Mr. Keynes, it said, may be a clever economist. He may have been a useful Treasury official. But in writing this book, he has rendered the Allies a disservice for which their enemies will be doubtless grateful. Causing pain to the British establishment, not joy to the enemy, was, of course, Keynes's real crime. But this the Times did not say. Keynes had broken the code, and so he suffered the penalty. For the next 20 years, he headed an insurance company, speculated in shares and commodities and foreign exchange, sometimes losing, but mostly winning. And he also speculated, fortunately with success, for King's College, of which he became the bursar. But henceforth, on government matters, he was an outsider, not a man to be trusted. While he was at Cambridge, Keynes had been a member of a group of ardent young intellectuals. One of these was Lytton Strachey, the most brilliant of stylists, and another was Leonard Woolf, writer, publisher, and Virginia Woolf, and Vanessa Bell, the painter. They now recreated themselves in London

as the famous Bloomsbury Group. All had been much under the influence of the philosopher G.E. Moore. Keynes once told what he had from Moore. It was the belief that the appropriate subject of passionate contemplation and communion were a beloved person, beauty, and truth, and that one's prime objects in life were love, the creation and enjoyment of aesthetic experience, and the pursuit of knowledge. Of these, love came a long way first. With thoughts like these, one can readily understand Keynes becoming an economist. Perhaps more in keeping with Moore, Keynes also married Lydia Lapakova, who had just enchanted London as the star of the Agulus Ballet. Was there ever such a union of beauty and brains as when the lovely Lapakova married John Maynard Keynes? Perhaps it was well that Keynes was in London. Someone in the Cambridge academic community is said to have asked, has Maynard really married a chorus girl? Keynes in these years told of his lifelong interest in the arts, especially the performing arts.

Speaker 1

The artist walks where the breath of the spirit blows him. He cannot be told his direction, he doesn't know it himself. he leads the rest of us into fresh pasture.

Speaker 2

I've said that Keynes was kept outside. Experience in these years showed that it might have been safer to have kept him inside. Then there would have been some curb on his words. The man who had most reason to wish for such a restraining hand was Winston Churchill, then Chancellor of the Exchequer. It was Churchill's misfortune in these years to preside over the most dramatically disastrous economic action by a government in modern times. Keynes advertised his error to the world. The mistake was in returning the pound in 1925 to the gold standard at the old golden dollar value of $487 to the pound. Had Britain gone back to the pound at, say, $4.40, all would have been well. But with pounds bought at $4.87, British prices were about 10% over the world market. 10% is 10%. Why would anyone, even Churchill, make such a mistake? The old rate for gold and dollars showed that British financial management was just as solid as in the 19th century. The war had changed nothing. And as an historian and professional custodian of the British past, this was a line of argument to which Churchill was fatally susceptible. And where money is concerned, style, manner, good tailoring, certainty of assertion, and personal assets are very often a substitute for thought. Churchill's speech in the Commons, announcing the return to gold, was a public triumph. Keynes, in a widely read article, asked why Churchill did. Such a silly thing. British prices could, of course, come down, but they could come down only if wages came down. And wages could come down in only one of two ways. There could be a horizontal slash, whatever the unions might say, or there could be unemployment. As it developed, there were both unemployment and the wage cut. As the roar recovered after 1924, world coal prices fell. To meet this competition with the more

expensive pound, the British coal owners proposed longer working hours, no minimum wage, and lower wages for all. A royal commission agreed on the lower wage. The miners refused and the owners locked them out. On the 3rd of May, 1926, Transport, printing, iron and steel, electricity and gas workers. And most of the building trades came out in support of the miners. This, with some exaggeration, was called the general strike. For a fair number of workers, it didn't make much difference. Unemployment, the other remedy, was also being applied. In these years, it ranged from 7 to 9 percent of the labor force. With the strike, those who had urged the return to gold now deplored the threat to constitutional government. Churchill took a very strong stand for law and order. The general strike was soon over. It lasted only nine days. For the miners, things were much more grim. They remained on strike through most of 1926, and eventually they were defeated. Keynes was redeemed as a prophet, but not as a statesman. Where men of great importance are wrong, it's very poor personal tactics to be right. The return to gold was meant to proclaim the strength and integrity of Sterling. Instead, it demonstrated its weakness and the strength instead of the dollar. The late A.J. Liebling of the New Yorker magazine once formulated what he called Liebling's Law. It holds roughly that if a man of adequately complex mind proceeds in a sufficiently perverse way, he can succeed in kicking himself and his own *** out the door into the street. The return to the gold standard in 1925 was a very good manifestation by the financial experts of Liebling's Law. By 1927, the gold flow to the United States was alarming. Accordingly, in that year, Montague Norman, the head of the Bank of England, and Helmar Horace Greeley, shocked of the Reichbank, sailed for New York to try and get it back. Charles Rist of the Bank de France, he came too. They asked the Federal Reserve to lower its interest rate, expand its loans, and therefore ease monetary policy. The lower interest rate would discourage the flow of money to the United States. The easier money would mean higher prices and so less competition from the U.S. The Americans obliged. This was the action we saw last time that historians believe to have triggered. The great stock market speculation of 1927, 1929. It gets more credit than it deserves, but it was a mistake. Great events can have a precise point of origin. World War I at Sarajevo. The Great Depression began here at the New York Stock Exchange. In the 1920s, things were bad in Britain, but good in the United States, good at least for business, corporations, and the affluent. Profits increased, and the stock market boomed. And as in the later boom of the 1960s, there was a rush to get a piece of the new and wonderful technology. RCA radio was a great favorite. So was Seaboard Airline, a foothold in aviation. It was, in fact, a railroad. But the wonder of the age was the investment trusts. These were companies that invested in other companies that then invested in yet other investment companies. The profits and capital gains of many companies then cascaded back to the ultimate organizers. And so did the losses when they came. The investment trusts were the forerunners of the unit trusts or the mutual funds. In finance, many of the greatest inventions are in terminology, a new name for an old idea. If there was a symbol for this speculation, it came in two words: Goldman

Sachs. There had been nothing like it since the South Sea bubble, and there would be nothing like it again until Investors Overseas Services and Bernie Kornfeld. The show opened on December 4th, 1928. First on December 4, 1928, the Goldman Sachs Trading Corporation was formed with a $100 million issue of stock, 90% of which was sold to a very eager public. Its function was to buy other stock to the extent of its capital, the closed-end investment trust. In February 1929 came a merger with Financial and Industrial Securities Corporation and other investment trusts. Assets were now 235 million. Next, the trading corporation went into the market and bought its own stock. This had a good effect on its value. Then in July, it launched the Shenandoah Corporation. This was a $102,500,000 enterprise. Preferred and common stock was sold to the public, and the public share of the issue was oversubscribed sevenfold, so more stock was issued. In August, Shenandoah launched Blue Ridge for $142 million. A few days later, back at the trading corporation, 71,400,000 more in securities were issued. In October, when the stock market collapsed, so did all of this. Shenandoah, once $36, went eventually to 50 cents. The trading corporation had reached $222. and in a couple of years it was below $3. Goldman Sachs now became conservative, rang down the fire curtain, and survived. October 24, 1929, was the end. A terrible day. Everyone tried to sell. Almost no one wanted to buy. The ticker fell hours behind the market, and across the country people didn't know how bad things were. They only knew that they had been ruined. At noon, The authorities closed the visitors' gallery of the exchange. It was all too obscene. Day after day thereafter, the market went down and down and down. And with occasional rallies, it kept on going down for nearly three years. After the Great Crash came the Great Depression. Everything that had been weak before, became weaker, collapsed. banks, corporations, investment, consumer spending. And fear took over. By 1933, nearly a fourth of all American workers were without jobs. The government reacted to the Depression as it had in earlier times. Things were not bad and certainly getting better. President Hoover took his stand for the traditional values, and no one ever put them better.

Speaker 1

My conception of America is a land where men and women may walk in ordered liberty, where they may enjoy the advantages of wealth, not concentrated in the hands of a few, but diffused through opportunity to all, where they may build and safeguard their homes, give to their children the full opportunities of American life, where every man shall be respected in the faith that his conscience and his heart direct him to follow, and where people secure in their liberty shall have leisure and impulse to seek a fuller life.

Speaker 2

He was not alone in the traditional faith. In Germany, Heinrich Bruning, the last of the Weimar chancellors, Hindenburg was the president, took the same stand, but in a more

activist fashion. Bruning cut wages, salaries, prices, raised taxes. Around 1/4 of all German industrial workers were then out of jobs. It stirred a terrible thought. If this were democracy, Could Hitler be worse? Might he not lighten this darkness? British policy was also negative, but more discreetly so than Bruning's or even Hoover's. Ramsey MacDonald, a stalwart opponent of the Great War, was now Prime Minister.

Speaker 1

The question you have to settle and I have to try to settle is whether the pound sterling is going to fluctuate so much from day-to-day that not one of you housewives, not one of you women who are responsible for the expenditure of your household income will know from week to week how much the pound is going to bring to you. The government desires to stabilize. The nation is in trouble. The nation is in difficulties. Not permanent trouble and not permanent difficulties. Temporary, purely temporary.

Speaker 2

The gold standard was abandoned and free trade was abandoned. However, considerable unemployment remained. That was not purely temporary. Only Russia was untouched by depression. And no depression would have been much noticed there. The time had come for the agricultural collectivization that Lenin had postponed. And this stage in the revolution was infinitely more bloody than the first. Even Stalin was pained. And when Stalin was pained by other people's pain, it was pain indeed. Keynes was wholly clear as to the proper action. He wanted borrowing by the government and then the expenditure of the resulting funds. The British government paid little attention, although Keynes now had a convert in Lloyd George. Roosevelt was following Keynes's policy, but out of necessity rather than conviction. And so, a depressing thought was Adolf Hitler. Keynes was not known in Germany, and certainly not to the Nazis, but their instinct for action served them better than the sound economics of the time served Britain and the United States. From 1933, Hitler borrowed and spent, and at first mostly for civilian works, railroads, canals, public buildings, the autobahn. By 1936, unemployment was virtually at an end in Germany. A ceiling was then put over prices and wages, and this too worked. Germany had full employment without inflation. But people were not persuaded by the German example. People heard the screaming oratory and rejected the economics. With Roosevelt in the United States, Keynes saw his chance. A famous letter to Roosevelt summarized his case. I lay overwhelming emphasis on the increase of national purchasing power resulting from government expenditure, which is financed by loans. In 1934, Keynes went a step further. He carried his case directly to Roosevelt at the White House. This meeting was not a success. The president thought Keynes some kind of a mathematician rather than a political economist. And Keynes said that he had supposed the president was more literate, economically speaking. The New Deal was doing much, making jobs, helping farmers, rescuing the banks and corporations, reviving hope. The National Recovery

Administration, the NRA, was trying to arrest the downward spiral in prices and wages, the depression counterpart of the modern inflationary spiral. Then as now, most economists were deeply critical of the direct interference with market forces that NRA involved. The New Deal activity was being financed by borrowing, as Keynes urged. But it was borrowing reluctantly, convinced that it was violating the most basic canon of sound economic policy, the balanced budget. Keynes saw the need to deal more deeply with belief, and he set out to seduce the world with a book. The General Theory of Employment, Interest, and Money. It was published in February 1936. More than a year earlier, Keynes had told George Bernard Shaw that it would largely revolutionize the way the world thinks about economic problems, and so it did. It's a lesson Truth should never be sacrificed to modesty. Like the Bible and Das Kapital, the general theory is often deeply obscure. And as with Marx and the Bible, this helped greatly to win converts. I'm not reaching here for paradox. If you must struggle, really struggle, to understand a book, as with the Bible, Marx, and Keynes, you feel a commitment to the conclusions. after so much pain, the light. And as again with the Bible and Marks, there were enough contradictions, enough ambiguities, so that the discriminating reader could very often find just what he wanted to believe. Ambiguity, too, wins disciples. The basic conclusion, however, was simple and unambiguous. Previously, it had been held that the economic system found its equilibrium at full employment. Idle men and idle plant were an aberration, a temporary failing. Keynes held that the modern economy could as well find its equilibrium with unemployment. The underemployment equilibrium results from businessmen and individuals seeking to save more than they invest or spend. Unemployment results when business firms do not invest and employ workers, save without spending instead. Now comes the remedy. Have the government borrow and buy from business firms, in effect with newly created money. Have it borrow and employ workers and give them welfare and unemployment benefits. Then go back to work. The underemployment equilibrium is broken. The book accomplished what advocacy of the practical program had not. That one belief recruited disciples, and it changed government policy. I read The General Theory in the summer of 1936, and to this day, I remember the shock. All I had been taught to believe and was teaching others to believe was at risk. There could be a shortage of purchasing power. Unemployment was not an aberration. In the absence of corrective action, it might be normal. To balance the budget might not be an act of wisdom. I faced up to the terrible possibility that I might have to change my mind. And for an economist, there is nothing worse.

Speaker 1

We are fighting, fighting to save a great and precious form of government.

Speaker 2

This was now 1936. The war was still against the Depression.

Speaker 1

And so I accept the commission you attended me. I join with you. I am enlisted for the duration of the war.

Speaker 2

Keynes' ideas were soon to be on their way to Washington, but by a rather circuitous route. Keynes captured the United States by way of the universities, and principally by way of Harvard. In my case, at least, a bad conscience was a considerable factor. I was living as a tutor here at Winthrop House. And being an unpretentious house, Winthrop House was not anti-Irish, as were some of the more dignified places of residence. So among our inhabitants were the Kennedy brothers. And meeting them here and becoming friends, I must say, had a considerable effect on my later life. It was a lovely and tranquil world. And the only problem was that things were so terrible just outside of the university walls. The effect of the Depression was wonderfully uneven. You had a fixed income, good investments, or a Harvard paycheck. You got richer as prices went down. A new car cost you only a few hundred dollars. If you were poor, you couldn't even afford to ride the streetcars. One of the most imaginative of the New Deal efforts, very radical in those days, was the Farmers Home Administration, a rescue and relief mission to the rural poor. It took pictures of its clients. In the United States, the social memory for the next 40 years would be of the Great Depression. Perhaps escape from depression meant some kind of economic revolution. We talked with this at Winthrop House. But Keynes was a solution without a revolution. Our pleasant world would remain, the unemployment and the suffering would go. I must say it seemed a miracle. In 1936, after the publication of The General Theory, we met several times a week to discuss this wonderful thing. It was the young who were influenced. Economists, among other things, are economical of their ideas. They tend to make those that they acquired as graduate students or put into their first book do for a lifetime. The great men of that time read and reviewed Keynes and found him wrong. They then carried their belief in balanced budgets and the gold standard to the grave and possibly even beyond. Change in economics is something that comes with the changing generations. From Harvard, Keynes went to Washington, in those days by train. It could have been this train. On Thursdays and Friday nights, the Federal Express would be half filled with Harvard faculty members, old and young, all on the way to impart wisdom to the New Deal. The Harvard Crimson once said the lectures of a noted professor of government were what he gave while catching the train to Washington. Increasingly as the decade passed, the wisdom that we sought to impart was that of John Maynard Keynes. The Washington atmosphere initially was rather frigid. To spend public money to create jobs seemed profligate. To urge a budget deficit as a good thing seemed to many people insane. The men of sound judgment were appalled, and even your friends were cautious in the presence of such heresy. Where did one look for allies, support for the

Keynesian heresy in Washington in the Depression years? It was above all to the Federal Reserve System, a central bank of all places, symbol of the stoutest conservatism. Its boardroom, even today, is not considered a gathering place for dangerous radicals. Things, however, were somewhat different at that time. The head of the Central Bank, the head of the Federal Reserve in those days, was Mariner Eccles. He was a Utah banker of highly original mind. Eccles had seen the lines of depositors form outside his own banks to get their money, and he'd seen the bankrupt farmers outside the town And ideas very similar to those of Keynes had passed through his mind. His principal assistant was Lachlan Curry. Curry was a former Harvard faculty member who had published a book that anticipated some of the very important ideas of Keynes. Accordingly, he was thought very unsound, and he was not promoted. There's a lesson here, I may say. In economics, one should never be right too soon. You should wait until the parade is passing your door, and then you should step bravely out in front. From the Federal Reserve, the change in heresy was circulated to the other government departments. It helped that Curry had now gone to the White House and could send the converted around to the key places, maybe not to all of the Federal Triangle. Certainly here to the Treasury and to the Labour Department. This was no conspiracy, it was the spread of wisdom. Gradually the ideas became established, but the practice still lagged behind. Throughout the 1930s, government intervention to lift the level of employment remained half-hearted. In 1939, the last year of peace in Europe, nine and a half million Americans were still unemployed, 17% of the labor force. The war then brought the Keynesian remedy with a rush. Expenditures doubled and redoubled, and so did the federal deficit. And by 1942, unemployment was gone, labor was becoming scarce. There's another way of looking at this history. It could be said that Hitler, having ended unemployment in Germany, had gone on to end it in the rest of the industrial world. In any case, one now saw one of the enduring features of the Keynesian Revolution, the difference between spending for welfare and spending for war. In the depression years, modest spending for the unemployed had caused the gravest alarm. Now expenditures many, many times greater for weapons and soldiers were perfectly safe. The war, falling unemployment, brought a new threat. Rising prices, rising wages, inflation. For this, too, Keynes had a remedy. Put everything into reverse, raise taxes to keep pace with wartime spending, try by all possible means now to keep down the budget deficit. Keep the cost of living stable if necessary by subsidies, and then ask labor to forego wage increases for the duration. Confine price control and rationing to essentials, those things in especially short supply. I circulated a paper with a similar set of proposals here in Washington. I'd been summoned to town by Curry. It was for me an act of economic plagiarism of considerable importance. because in the spring of 1941, I was put in charge of price control, one of the most powerful economic positions of the wartime years. I have to tell you that I was overjoyed. I got the news here in the Blaine mansion, which was the first headquarters for wartime price control. I started here with around 15 staff members. Soon we outgrew these quarters and had to move, and

during the war we had to move three times in all. We ended up in this size of a acreage. By then, for prices, rent, rationing, we had, Washington and country, some 17,000 employees. I was never clear who hired them all. It was from this desk that prices were fixed in World War II. Ultimately with minor exceptions, all of the prices in the United States. There could be appeal to higher authority, but the appeals were not taken in very many cases because higher authority backed us up. I've said many times that if anyone left the office with a smile, we felt that we hadn't done our job. To be effective, price control had to be painful. Those appealing for price increases came to this table. Those with the worst case always made the most eloquent plea. Knowing that their case was fraudulent, they had, I suppose, rehearsed it the most times. We usually had figures on their earnings, and I would look down the table while someone was pleading the case for higher prices and notice that staff members would be moving their fingers like this on the edge of the table. The reference was to a fable, the year of the great famine in the land of the ants. One day a patrol from an ant colony on the side of a steep hill found food, a lovely piece of horse manure. It was directly up the slope from the colony and all the ants were mustered out to bring the food. They rolled it down the hill Presently, it was rolling faster and faster and threatening to roll right by the ant colony and be lost. The queen ant went up and down the lines, encouraging her troops, who were holding against the food, encouraging them to ever greater exertions. Her antennae were going up and down like this, and thus our signal. It is ant language, and it means stop that *********. It was while I was directing price control that I first met Keynes. I'd gone to Cambridge to study under him in 1937, 1938, but that was the year of his first heart attack. He came into the outer office one day, unannounced, to deliver a paper. My secretary brought it in, said he seemed to feel he should see me. The name, she said, was Keens. I looked at the paper. There it was, J.M. Keynes. The paper was a lucid condemnation of the prices that we were setting on corn and hogs. He called them maize and pigs. And to this day, I remember my feeling. It was as though St. Peter had dropped in on some parish priest. It was also in these offices, alas, that we discovered the shortcomings of Keynes, when and how his ideas did not work. Long before all workers had jobs, firms could raise prices, and they did. And wages could and did rise. This led in turn to the price wage or the wage price spiral. We also learned that taxes could not be made to keep pace with wartime spending, and that the excess of purchasing power could not, as Keynes had proposed, be mopped up. One firm's prices were another firm's costs, and you could not hold one man's prices if his costs went up. So some general action was imperative. Previously, I had argued against a general ceiling on prices with great conviction. Now I found myself arguing for it with almost equal passion, maybe more passion. I also noticed that almost no one else observed how completely I had changed my mind. The new policy worked, and I concluded that in economics It's far, far wiser to be right than it is to be consistent. The great lesson of the war was here. The Keynesian remedy was asymmetrical. It would work against unemployment and depression. It did not work in reverse against inflation. And this is a

lesson that now, more than 30 years later, the disciples of Keynes are still reluctant to accept. But now Keynes, who was once a heretic, is now the prophet of the established faith. And the faithful are still waiting for his remedies against inflation to work. Keynes himself did not stay to reflect on this failure. At Paris, he had fought the Carthaginian peace. In 1925, he had fought Churchill and the tyranny of gold. Now in 1944, delegates from 44 countries assembled here in New Hampshire. The purpose was to see that the errors on gold and on reparations on which Keynes had made his reputation were not repeated. The Bretton Woods Conference was not a conference between nations. It was really a conference of nations with Keynes. The result was the Bank for International Reconstruction and Development and the International Monetary Fund. The first would guide the mines of the victorious powers to reconstruction, not punishment. And the second would give a modicum of flexibility to the rule of gold. A country in trouble would not need to reduce prices and wages, as in Britain in 1925, or devalue. Instead, it could win time by borrowing from the monetary fund.

Speaker 1

Thank you for calling Bretton Woods. May I help you?

Speaker 2

During these conferences, Keynes had another heart attack.

Speaker 1

There's no answer there.

Speaker 2

Many observed how he was protected and sustained in these days by Lydia Lopakova. Over shortwave radio to Britain, he told of the accomplishment. The emphasis was still on employment.

Speaker 1

There's never been, there's never been such a far-reaching proposal on so great a scale to provide employment in the present and increase productivity in the future. We've been working quietly away in the cool woods and mountains of New Hampshire. And I doubt, I doubt if the world yet understands a bigger thing we are bringing to birth.

Speaker 2

Well, such were the hopes. After the war ended, Keynes went back to Washington to negotiate a loan three and three quarters billions dollars. which was to see Britain through the post-war years or until exports would again pay the way. The loan was another aberration of the orthodox financial mind, this time of the great men of Washington and New York. They made it a prime condition of the loan that sterling

would become convertible on timetable in 1947, convertible into dollars and gold. This was done And all of those who had obtained wartime hordes of Sterling, speculators, black market currency operators, and also the banks, rushed joyfully to convert. The loan was used up in a matter of days. In 1925, Sterling had been made convertible by Churchill with disastrous results. 22 years later, almost exactly the same error was repeated with infinite precision. And this time, Keynes was a reluctant participant. Keynes had always believed that men of self-confessed financial wisdom were wonderfully consistent, especially in their mistakes. He didn't live to see this further proof. On April 21, 1946, he had suffered another heart attack and died. There was now a step forward of which Keynes would have strongly approved. This was the Marshall Plan. It centered here in Hotel Talleyrand and the Place Concourt. The Marshall Plan worked wonders in renewing prosperity in Europe. For the next 20 years in Europe and the United States, employment was good, production everywhere increasing. The losses of the British loan were retrieved, and instead of paying, this time, the Germans received. Thus had the world been educated by Keynes. Even inflation was not serious. These were the good years, the age of Keynes. There were, of course, disappointments. We thought that the same miracle could be worked throughout the world, especially in the poor countries. We learned that capital could be supplied. Industrial experience, discipline skills, administrative experience could not. And in the absence of these, failure was more common than success. What worked in the rich countries did not work in the poor. Other problems emerged and converged. There was the terrible dependence of the Keynesian system in these years on spending for arms. There was the power of the great corporations. There was the unevenness of economic blessings in a world of too many automobiles and too few houses, too many cigarettes and too little health care. And there were the special problems of the great cities. And so the confident years, the age of Keynes, came to an end. Partly it was ended by the problems that it didn't solve, and partly it was ended by the problems that it created itself and didn't solve.

Speaker 1

More ideas in the understanding of economics as the age of uncertainty continues next on BBC4.

Audio file

119092-TheMetropolis.mp3

Transcript

Speaker 1

Troubling movement on very heavy traffic. Headbent on Coronas Expressway 2 and up the lower BQE, and that's where the trouble is on that lower book of Queens Expressway to lots of traffic troubles. This is just the start of it, and now it's.

Speaker 2

The city was pure gold, like unto clear glass. The first foundation was jasper, the second sapphire, the third chalcedony, the fourth an emerald. The twelve gates were twelve pearls. The street of the city was pure gold. Two delicious ripe fruit flavors. This city now doth like a garment wear, The beauty of the morning silent bare.

Speaker 3

What is the physical face of modern industrial society? The question arose in ghoulish fashion in World War II. What should the Allied bombers destroy? An historic dispute developed and the American desk warriors held that the vital things were factories, refineries, railroad yards. The British planners argued for the city. This was the industrial society. Destroy the city and you destroyed all. The difference was not based on compassion or on any deep philosophical insight. Proceeding at night, the RAF bombers could find only cities. And going by day, the United States Army Air Forces could see, although they couldn't reliably hit, factories. So military convenience was, as often, the parent of thought. But there's much to be said for the British view. The factory is only one part of the physical paraphernalia of the industrial civilization, and the city is nearly all. It is the mirror of social achievement and of misfortune too. Poverty is a case in point. Poverty in by far its most common form, we now know, is a problem of land and people. And for such poverty, the city is the escape hatch. So it has been for centuries. People are forced off the land by deprivation, and they're drawn to the cities by the chance for wages, or if not wages, then better social services, more compassionate standards of welfare. It is not that the city is good, but that the alternatives are always worse. There were other reasons, of course. Some of us were always refugees from that hard work on a farm. The city, then, is the focus of the problems of the modern society. Its uncertainty, its crises, hope, despair, all are there. To understand the modern city is to understand the social ills that most oppresses. Understanding begins with the

realization that there isn't one kind of city but several. The modern metropolis is a combination of all the different kinds of cities that have gone before. Classification is the first step in science, but it seems to me that it has lagged where the urban culture is concerned. There are five distinct types of cities. Some had their greatest glory in the past, but all have a modern counterpart. Names are necessary. Of cities, there are the royal household, or possibly we might call it the political household, the merchant city, the industrial city, the great camp, sometimes called the suburb, and now the polyglot metropolis. To understand the modern metropolis, we must see the cities that went before. The most potent still of the ancestral images is the city of the princes. As an expression of one man's taste and personality, as a manifestation of the grandeur of his realm, this is still without equal.

Speaker 2

All persons draw near and give note to the sovereign command of the Shahin Shah. The superintendents of affairs shall erect here proud and lofty buildings. Upon this hill of Sikri, his mason shall set a great city, whose name shall be Fatipur, which is victory.

Speaker 3

Fatipur Sikri in India has been called the world's most perfectly preserved ghost town. It was built by Akbar the Great on a low rocky ridge 24 miles from Agra. The site was chosen, it is said, because there in the village of Sikri lived the holy man, whom Akbar had visited when he was in despair over the prospect for a son and heir. As a result of the visit, a son, Jahangir, was forthcoming. And in gratitude around 1571, Akbar quarried the beautiful salmon red stone of the ridge, made a lake some 20 miles around, and built a new capital. It was larger than London and its public buildings by a wide margin more elegant. It is still there. That this city was the extension of 1 personality is not in doubt. At Fatipur Sikri, we see in the clearest possible form the city that I have called the royal or political household. Over the centuries, nothing has been so used to enhance royal personality, arm slaughter apart. as the architectural embellishment of the seat of government. And Fatibur Sikri is our purest case. The royal household is mostly of the past, but it remains powerfully in our minds as the basic image of what a city should be like. And it has also a modern prototype. The idea lends itself well to modern political rhetoric. The greatness of the capital measures the greatness of the state. President Kubichek of Brazil.

Speaker 2

From this central plateau from which will emanate decisions of vital national importance, I look once more to the future of my country and foresee this dawn with unshakable belief in the greatness of our destiny.

Speaker 3

From the royal household came the notion that government has a special claim to architectural magnificence and civic grandeur, as here with Brasilia. Industrialists are expected to work, although not to live, in cities of considerable squalor. Their office buildings may be tall, but they must be functional. Politicians, even bureaucrats, should have more refined surroundings. Their cities should be planned, Their buildings embellished, however crudely, as was the royal household. What rejoices the eye must be nicely balanced with what might distress the taxpayer. From this calculation have come the modern capitals, Washington, New Delhi, Canberra, Islamabad, Brasilia. Cities that, like Fatibur Sikri, have been built in accordance with a ruling conception and design. Their order and symmetry have a strong claim on the eye. It's worth a thought that these are almost the only modern cities that the modern tourist ever wants to visit.

Speaker 1

On the right of the bridge here, the Beginage, inside a nannery. and little houses where the lace makers living. Mark your head, please.

Speaker 3

The merchant city, the second of our five cities, also had a strong unity of design. This was less the result of central authority than of a unity of taste. Merchants must be sensitive to fashion, and at any time in architecture as in dress, there is a ruling style. This merchant city is Bruges in Belgium. Bruges was a member of the Hanseatic League, and once it was the northern counterpart of Venice itself, the Venice of the North. It was saved from the modern world when its access to the sea silted up in the 15th century, and when fate put it a mere 20 miles behind the guns in World War I. The strong sense of collective interest to the merchants was manifested in both the design of the houses and the plan of the town. Within this larger framework, there was then a rewarding competition. The quality and style of the house advertised the quality and style of the merchandise available therefrom. So Bruges, like the other merchant cities, Venice, Florence, Genoa, Bremen, Lubeck, such of them as survived the wars, had much of the order and elegance of the royal household. And this the guides do not fail to tell.

Speaker 1

On your right, the Pelican house. They aren't the first.

Speaker 3

In 1438, a visiting merchant gave his impression of Bruges, not well the admiring town.

Speaker 2

The products of the whole world are brought here so that they have everything in abundance in exchange for the work of their hands. The people of this part of the

country are exceedingly cleanly in their apparel, but very extravagant. Without doubt, the great goddess of luxury has great power here. But it is not a place for poor men who would be badly received. But anyone who has money and wishes to spend it will find in this town alone everything which the whole world produces. I saw their oranges and lemons from Castile, fruits and wines from Greece, confections and spices from Alexandria, furs from the Black Sea.

Speaker 3

Elegance and excellence must be celebrated. A poor place has few parades. The guild hall, town hall, and cathedral each had function in the merchant city. They proclaimed, regulated, and sanctified the gains from trade. The houses and palaces of the merchants were places of business, places of residence, and a sure source of community esteem. So they were the subject of much thought. In the merchant city, men were valued less for what they were than for where they lived. A nice straightforward objective test of merit for which many people must still yearn. With the Industrial Revolution, civic pride withered. The very connotation of the word city changed. Before 1776, it had an overtone of grandeur. phrase heavenly city seemed not to be a contradiction in terms. Had the Bible been written after the Industrial Revolution, Paradise would not have been a city, whatever the paving of the streets. Slowly but certainly, a reference to a city became a reference to something not grand, but sordid. There was much about the industrial city to which we now come which assured this reputation. The people of its factories were a utility, a servo-mechanism. They were important only for their effort, and this was not diminished by their being shabby unwashed, rough of manner, or ripe of smell. These attributes minimized personal expenditure, living costs. And in the industrial city, men sought not elegance, but low cost. Nor was this entirely to be deplored. The industrial city, unlike its predecessors, produced goods in quantity for those who were also poor. The people of the industrial city were not very beautiful, nor was there housing. Nor a commonplace point were the processes by which goods were made. On the contrary, these almost invariably involved smoke and grime, for coal had to be dug and washed, ore had to be smelted, locomotives had to be fired, steam engines had to be fueled. All of these operations spread filth. In considering the effect of economic growth on our surroundings on the environment, we might remember that industrial progress has been a remarkably steady march from foul processes to clean. From dirty coal to clean gas, from dirty foundries to clean control rooms, from the belching steam engine to the wholly antiseptic electric motor, We now have pollution, not because industrial processes are dirtier, but because we produce and consume so much more. But early industrial processes were dirty, and the industrial city was rightly thought to be a squalid place. Finally, among the things affecting the character of the industrial city were the industrialists, the merchant had to be like his customers, a man of some style and taste. Users of coal and steel and chemicals and machinery were not concerned

with style, only with cost and performance. And the early consumer products of the industrial city, cloth and more cloth and cheap tin trays, were not stylish either. So the early manufacturer was like his products, solid, efficient, without grace. He built his house above the mills, and it, too, was solid and often ugly. But beauty is in the eye of the beholder. Here is the view of Dr. Andrew Ur. He was a chemist and scientific writer of the last century, and as would now be said, an articulate defender of the system.

Speaker 4

Factories are magnificent edifices, surpassing far in number, value, usefulness, and ingenuity of construction. the boasted monuments of Asiatic, Egyptian and Roman despotism. In these spacious halls, the benignant power of steam summons around him his myriads of willing menials. Yet, even at the present day, when the system is perfectly organised and its labour lightened to the utmost, it is found nearly impossible to convert persons by the age of puberty into useful factory hands. After struggling for a while to conquer their listless or restive habits, they either renounce the employment spontaneously or are dismissed by the overlookers on account of inattention. They are readily moved to outrage by crafty demagogues, and they are apt to regard their best benefactor, the enterprising and frugal capitalist who employs them with a jealous eye.

Speaker 3

One who would qualify for yours denunciation. was Frederick Engels, whom we've met as Karl Marx's great collaborator. In 1845, gathering material for the condition of the working class in England, Engels described Manchester.

Speaker 2

And as for the dirt, everywhere one sees heaps of refuse, garbage and filth. There are stagnant pools instead of gutters, and the stench alone is so overpowering that no human being, even partially civilized, would find it bearable to live in such a district. There is to be found under the railway bridge a court which is even filthier and more revolting than the others. In a hole barely 6 feet long and five feet wide I saw two beds, and what beds and what bedding, which filled the room. When all comes to all, what really matters to the Englishman is his own interest and above all, his desire to make money. One day I walked with one of these middle-class gentlemen into Manchester. I spoke to him about the disgraceful, unhealthy slums and drew his attention to the disgusting condition in which the factory workers lived. I declared I had never seen so badly built a town in my life. He listened patiently, and at the corner of the street at which we parted company, he remarked.

Speaker 4

And yet a great deal of money is made here. Good morning, sir.

Speaker 3

In the industrial city, the industrialist was free from restraint. He could do as he needed with air, streams, landscape, and he did. It was a place to shelter the work stock at the lowest possible cost. Given that the purpose of the city was to produce goods cheap, not much more was to be asked. In one variant of the industrial city, the industrialist did take responsibility for inception, design, and administration. He laid out streets, built and owned the houses, built and operated the company store. And he laid on water supply and sewage, if any. This, like the cities of the princes, was an imposed order, an industrial household. Its purpose, however, was to keep down costs and ensure that the inmates, if sullen, would not be mutinous. I'm speaking here of the company town. Few creations of man have been so reviled, hated. It's a warning against order without consent. There were exceptions. In the 1840s, Brunel's Great Western Railway built a housing estate for the workers at its new locomotive works at Swindon. The company believed that everything possible should be done to ensure a healthy, intelligent, and non-mutinous workforce. It was a housing estate where people lived in comparative comfort with a decent amount of space. There was consent. The houses were small, but each had a garden, 2 bedrooms, and a toilet. The average at the time was one lavatory to every four houses. There was a Mechanics Institute for education and a Wesleyan Chapel for spiritual development. And the cost of Swindon was not very high. But it was only possible for a sizable enterprise like a railway and a very enlightened one. For both of these reasons, Swindon was the exception, and it had to be. The ruling doctrine of the age was laissez-faire, free enterprise, and this the industrial city was bound to reflect. One could not expect the city to be an island of intelligent order in a non-planned world. Sheffield, Rochdale, Essen, Pittsburgh, Gary are the industrial city in its purest form. But the image is now blurred. Time, change, and economics have melded the industrial city into the final form, the great modern metropolis. New York is the ultimate city, the polyglot metropolis. There's a political household here, the United Nations, also a merchant city, also industry. And around it is our 4th city, the camp. From the earliest days of the industrial city, those who could afford it sought to escape its smoke and its grime, and even more its unlovely landscape. But the suburban camp owes much to development since, to the appearance in the economy of a new, well-paid managerial and professional elite. In the camp, the rich and the merely affluent live in comparatively clear air with their private trees and grass. And they have schools, churches, recreation, all of superior quality, the quality insured and the cost kept down, but they're not having to be shared with the poor. Unlike the other cities, the camp has no political or economic function. It doesn't rule, sell, or make. It's a place where people find space and thus its name.

Speaker 5

I think one can achieve a certain state of serenity here. It's very nice to be able to come away from the city, come away from the dirty air, the crowds of people, the noise, and to come into the cleaner air, the quieter environment, the lovely, lovely lush trees, and a place where our children can grow up. I find, however, for me, that the hardest part is the lack of mental work and mental stimulation. I need something for my head. For instance, the winters can be very lonely here. You can feel very, very isolated. Unless you're involved in a lot of things that take you outside, you can feel very, very secluded in your house. I think women are very, very private and we're all stuck away from each other in our houses. At times I feel that it's no place for me to be. But then I think this is the ambivalence of life. One minute, oh, this is just terrific. The next minute, you want to be back where you were. You want to be back in the city. Well, when I lived in the city, there was a lot of violence in the area. When I began to walk around with a baby in a stroller or in a carriage, I quickly began to feel uncomfortable carrying a purse or a handbag. I felt I'd be better off not having it, just put my money in my pocket. I carried as little cash as I possibly could. So this was a necessary way of life. I don't think like that out here. For me right now, this happens to be the place I'm at, and I think I'm trying to make the best of it. It's lovely to be able to just go out and plunge in my own swimming pool. It's lovely to be able to have 20 people on a weekend. And I'm trying to be happy here, just as one tries everywhere.

Speaker 2

The suburbs are good for the children. A child needs clean air and a yard and a BBQ pit and a gas light. We certainly tried very hard to buy a home next to a ***** or other race, color or creed. God knows we adore integration. But everyone knows children need the feeling of roots that a rec room in a genuine oak-paneled den can offer to split-level households in places called Bonnie Bray Glen. With 4 walk-in closets to walk in, 3 bushes, 2 shrubs, and one tree. The suburbs are good for the children, but no place for grown-ups to be.

Speaker 3

Sir, Dr. Johnson said, when a man is tired of London, He is tired of life. I've always felt exactly that way about New York. In fact, I used to feel that a week when I didn't go there was a week wasted. In the great polyglot metropolis, all of the earlier cities come together. What is it that most distinguishes this metropolis from the industrial city? I should say it was money. Money, rising real income is a far greater force for change than we commonly imagine. The industrial city had two classes, the capitalist and the proletariat. In the modern metropolis, there is a vast new merchant, professional, technical, governmental, and artistic community all of which is called into being by the increase in income. This has altered the face of the modern city, for its needs have to be met, and it also introduces new tensions, tensions that are different from those of the industrial city, but not in any way less real. These we now see. And as always, we see

them most vividly here in New York, where Life is always a trifle larger than life itself. As the affluent move to the camps, the poor take their place, and the very poor then replace the merely poor. All see the well-to-do go. Not so many notice that it is a prime function of the modern metropolis to rescue the truly deprived from the world around. In New York, the menial jobs are done by the refugees from something worse. And so it is in every world metropolis. Only the names, migrant workers, foreign workers, guest workers, are different. Bad as are the New York slums, there can be hope. In the barrios of Puerto Rico, not even that. A letter home tells the difference.

Speaker 6

My beloved mother, hoping for you that when you receive this letter you feel the best of your health. As for me, I'm going to tell you what is happening to me when I get to New York. I have to tell you that I got lost for three days in a subway train and that somebody helped me to get back to where I was supposed to be. Well, for the rest, I'm all right. I've just found a job and I'm planning to stay working so I can bring my brothers over. You know, everybody is saying New York is a big town and there was good jobs and a lot of money here, but in the places I go, everybody speaks Spanish, so that makes it difficult for me to learn.

Speaker 3

We saw earlier. The oldest remedy for poverty, one of the few within the power of the individual to employ in his own behalf, is to move from the poor country to the rich. It's a hard solution for both. The affluent should not feel, as they sometimes do, that theirs is the only suffering.

Speaker 6

I don't like the apartment because there is no landlord, no services, and the ceiling is spilling and the water coming down. Sometimes my old lady, she's very disturbed with her nerves. And also the asthma take her real bad. But I don't know if it is the condition of the apartment or not. I feel bad because she's sick. And I would like to have better things, but there is more opportunity for a job here and I wouldn't like to go back the same way I came. But Ma, I'm going to tell you that over here is real cold. Not like home. But I'll get used to it. Regards to my brothers and all the family. Your son, Juan.

Speaker 3

In the metropolis, The classic conflict between employer and worker recedes. Instead, there are now two working classes. The old, established, relatively well-paid workforce feels threatened, both socially and economically, by the new arrivals. They seem a threat to the standards the old workforce tried so hard to establish and to raise. This is the new tension.

Speaker 1

There are those black, green, purple, orange, or whatever the color may be, those that live like pigs will always remain pigs. And people who want a clean area and clean homes and better schools and better housing for their children and themselves will keep it clean. But when you get a percentage of people that move into an area and 80% of them are pigs in plain English, let's put it that way. and the rest are decent, it's pretty rough. You see, East New York, the particular area where I lived in, you had a mother-father type business. Garment type, where they manufactured or they contracted out women's dresses, skirts, and all that. And most of it was Italians that used to work in the factories. When they moved out, little by little, the Spanish and the black people came into it. And out of the clear blue sky, it just deteriorated. Now here it is. We're going through part of it. If you look around, you see homes, houses boarded up. And they just let it go. That's where I used to live. I can't believe that In a span of 20 years, this could ever happen to where I live. Let's say I took it personally, as a personal insult. I can't give any more explanation except that people who live there now just don't care one way or the other what happens. They want to live in filth and slime.

Speaker 3

The polyglot metropolis, the great metropolis, is the focus of all of the great migrations of our time. And this migration must be kept in perspective. It is something with which we now have a very considerable historical experience. Migrants coming in numbers, whether they have been Irish, Italians, Jews, have always had an unsettling effect on the people who were already there. Their manners have always seemed a bit crude. They've often been thought lawless. Their personal hygiene has sometimes seemed questionable. And it has always been imagined that the tensions that they introduced were permanent. Then very soon, as in the case of the Irish in Boston or the Jews and Italians in New York, the manners changed, the tensions eased, and presently the newcomers were the new ruling class. In recent times, British cities have had their great influx of Indians and Pakistanis and West Indians. Berlin has become one of the largest Turkish cities in the world. Paris is extensively Algerian. And to the big American cities have come the blacks and the Puerto Ricans. The old suspicions and the old tensions and the old fears have everywhere been recreated. And again it is imagined that they are permanent. There's not the slightest reason to think that the ultimate resolution will be any different or that it will take any longer than in the case of the previous migrations. In looking at the modern polyglot metropolis, it is very important to know what the real problems are. And it is also important to know what the real problems are not. Meanwhile, of course, the tension. Its everyday manifestation is crime, senseless violence, mugging, scandalism, drugs. The burden falls very heavily on those whom we pay to keep the peace.

Speaker 7

I'm not afraid too often. I get frightened. My major objective is to get home after eight and a half hours. regardless of what happens here to get home. And I think about it. I think about it regularly. This is what gets monotonous, riding around at 10 miles an hour. It's almost like you're waiting for something to happen. Car stops are where cops get hurt. That's where cops get shot. I have a habit of taking my gun out of the holster and putting it in backwards because I can get it out faster. Some cops take the guns out. I see your license registration ready. You made a left turn back there. Off the corner. Don't let him go, Walt. Just going warn and admonishing, that's all.

Speaker 1

Yeah.

Speaker 7

One, two, three in Madison? It's right up off of this corner. What do you got?

Speaker 1

They got guns involved.

Speaker 7

Went through the park. Five RMP, 1161 essential. Seems to be an accident here. Shots fired at a gypsy cab. The perpetrator took off through the park. We'll have a description momentarily.

Speaker 3

After a nighttime walk through Harlem, it's difficult to argue that the modern city is a noticeably safer place than the slums that Ingalls described more than a century ago.

Speaker 7

Central, all we got is just three male blacks.

Speaker 3

The resemblance is disconcerting.

Speaker 2

It is only when the traveler has visited the slums of this great city that it dawns upon him. that the inhabitants have had to sacrifice so much that is best in human nature in order to create those wonders of civilization with which their city teems. The more they are packed into a tiny space, the more repulsive and disgraceful becomes the brutal indifference with which they ignore their neighbors and concentrate upon their private affairs. Signs of social conflict are to be found everywhere. Everyone turns his house into a fortress to defend himself under the protection of the law from the deprivations of

his neighbors. The observer of such an appalling state of affairs must shudder at the consequences of such feverish activity and can only marvel that so crazy a social and economic structure should survive at all.

Speaker 3

Not all great problems are difficult. Sometimes they're merely made so by people who want to avoid the obvious but very painful solutions. Overwhelmingly, the problem of the polyglot metropolis is money. It takes a truly vast amount of money if people are to live safely and pleasantly in close quarters. And it takes far more money than anyone in the past has realized. Garbage is the symbol. Free enterprise is wonderful at providing what people discard and very poor at picking up the discard. Things work differently for the well-to-do and the poor. The affluent can pay to have garbage picked up and for security services and burglar alarms. and of course for housing and health care. Here, private enterprise works. Nowhere in the world does private enterprise provide good cheap housing, good health services, good transportation, or police or schools or playgrounds. These the poor and the average citizen need. These the city, the public, must provide. This may not be the way things should be, but it's the way they are. The modern big city is by nature a social, maybe I should say a socialist enterprise, and all this is reflected in the cost. In the industrial city, public services required a relatively small deduction from private consumption. The day may come, I think it will come, when in the great metropolis, public consumption will be greater than private consumption, will cost more. This won't be the result of any ideological preference. It will be a simple matter of necessity. The singular feature of New York City is its private wealth and its public squalor. The remedy in principle is obvious. Higher taxes on the affluent, the people who can afford to pay them, more public services for all. The practical solution is more difficult. The affluent can now get much better services for the same or less money, escape the need for having to pay part of the costs for the poor, by moving out to the camps. The obvious solution is to tax the whole metropolis for the common costs of the whole metropolis. And sooner or later, it's going to have to be done because there isn't any other way. The acceptance of the social character of the metropolis involves more than questions of bread, butter, police, taxes. It also involves another dimension, That of art and design. That's a prime lesson of this history. The city was great and these were good. How do we escape from the aesthetic legacy of the Industrial Revolution? How do we recapture the order and the sense of household, of Fatipur Sikri, the order and elegance of Bruges? There's nothing theoretical or precious about this problem. It's one that the practical administrator must face.

Speaker 8

Any job like this requires decisions which are based on expediency rather than principle. And the difficult thing is to know when to put principle aside and do the pragmatic thing. I have more trouble with the politics of land use than I have with the

economics of land use. What we haven't been able to do is to get political acquiescence in the public use of land because of the opposition of either the local householders or the local residents or the local storekeepers or the local what have you.

Speaker 3

One rule can be laid down as firm. A unified overall conception for streets, offices, shops, housing, parks will almost always be better than when there is no governing order at all. There's no place where the substitution of social authority for classical laissez-faire is so urgent. To achieve this as a matter of political power, and also of trust. We accept the judgment of scientists or physicians on matters of life and death. Good design is also important for our lives. And we must learn similarly to trust the artist.

Speaker 8

The pressure of the multitude gets heavier and heavier. We've had the idea that the multitude being made-up of very different and deposed pressure groups would somehow balance itself out and that the wisest course would emerge, but that doesn't necessarily happen. But of course, one person's principle is another person's obstinacy, so it's very hard to say what's the right thing to do in any circumstance.

Speaker 3

But we must also ensure that the design, the imposed order, will be accepted by the community. That means that housing, parks, subway cars must be a source of pride and not an object for vandalism and graffiti. Citizens must feel that the city is theirs. There are, we must believe, forces within the city that can be so used. Every inner city has a network of small villages, small neighborhoods, small households. Their community and often their ethnic self-respect is shown by the care that they take of their streets and their houses. This Puerto Rican street festival is called El Barrio with Pride. Perhaps it's important. One hopes so. Ultimately, it is the people and their identification with where they live who make a city work. Do we then solve all the problems of city life by returning authority to the people? It's a temptingly romantic notion But I suggest that we respond with some caution. Part of the urban crisis we've seen arises from the ability of the affluent to contract out, move to the surrounding camps. This makes the case for larger units, metropolitan or regional governments. Leaving tasks to the people can mean leaving them to the poor of the inner city who are the least able to pay. Also, It was rural poverty that sent people from the rural South and from Puerto Rico to New York. People of New York should not be asked to bear the costs of solving the age-old problem of land and people. That is a national responsibility. It is all the more so for the fiscal systems of most industrial countries, and this includes the United States, give the revenues to national governments the

people and the costs to the big cities. The money goes one place and the problems go another. But for tasks that are within the competence of the local community, there is an equally strong case for local authority and local responsibility. Planning is always an imposed order. It is more likely to be accepted if it reflects local preference is imposed by people close to home. On schools, housing, hospitals, even law enforcement, the citizen needs to have a sense of personal responsibility and participation. And that requires the governing unit to be small. Votes must seem to count. And it is also good that politicians feel the hot breath of their neighbors on their necks. The Constitution of the metropolis, in other words, must distinguish between what must be large and what can be small. This is a highly sensitive exercise in democratic design. To the nature of that design, and particular its requirements in leaders and leadership, we come in the next program. But its test is where we have just been, the modern great metropolis.

Speaker 2

More ideas in the understanding of economics as the age of uncertainty continues next on BBC4.

Audio file

119087-TheRiseandFallofMoney.mp3

Transcript

Speaker 1

People in the supermarket are in touch with their deepest emotions. In times of depression, recession, the shopper is wondering if her money will continue, if she will have any to spend the next time she pushes a cart. In times of boom and inflation, she wonders if next time there will be anything she can afford. In recent times, this last worry has been the worst. It's the special terror of the person whose days of work are over, whose income for the rest of life is given, will never increase. What happens if that money ceases to sustain life or accustomed respectability? What will happen to me, to us? The emotions generated by money are not all marked with grief. They're remarkably diverse and unparalleled in their antiquity.

Speaker 2

Money. There are few ways in which a man may be more innocently employed than getting money.

Speaker 3

Doctor Samuel Johnson. Wine maketh merry, but money answereth all things.

Speaker 2

Ecclesiastes, chapter 2, verse 13.

Speaker 3

The history of money is the history of at least 2,000 years of inflation.

Speaker 2

Paul Einsing, British economist. Ladies and gentlemen, welcome to the Money Fair.

Speaker 1

Money buys access to all parts of the human carnival. all the booths at the fair. It is a singular thing. It ranks with love as man's greatest source of joy and with death as his greatest source of anxiety. Money differs from an automobile, a mistress, or cancer in being equally important to those who have it and those who don't. The carnival

metaphor, the exciting ride on which money takes those who possess or pursue it, is a very old one in the literature of finance. The reality is a bit more grim. Over all of history, money has oppressed people in one of two ways. Either it has been very abundant and very unreliable, or it has been reliable and very, very scarce. But for many people today, it has a third fault. It is both unreliable and scarce. These are the anxieties that haunt the woman in the supermarket. We understand them and all the diverse emotional power of money if we look at its history, the best ave to its understanding. Over the centuries, money has had a wonderful capacity for taking people on a kind of carnival ride. Sometimes, as I've said, it's been abundant and unreliable, sometimes reliable and very hard to get. The carnival metaphor emerges from what money has done to people, and also from the superb gallery of innovative rogues, rascals, and quite honest men who made its history. John Law, a fugitive Scot in Paris who showed how a bank could engineer a truly colossal boom and bust. William Patterson, another Lowland Scott, who originated the most prestigious of all monetary institutions, the Bank of England. Alexander Hamilton, who gave the new American Republic a stable currency, tried unsuccessfully to give it to Bank of England. Nicholas Biddle, who took up the battle to give the United States a central bank and lost. Mr. Bernard Kornfeld, who raised the hope of having money without work to new heights in our own time. All went from great innovation to great disaster. Law, Patterson, and Biddle all went broke. Alexander Hamilton was shot. Bernie Kornfeld had problems. The first service of money is to avoid the inconvenience of barter, the problem in the direct exchange of butter for horses or a house. Many things-- seashells, cattle, whiskey-- have been used. For two centuries, Virginia and Maryland used tobacco, and in Virginia, nothing else has so far served as money for so long. Before Woolf and Montcalm, French Canada had the most exotic currency of all, playing cards. All critics of speculation must weep that they're gone. Las Vegas and Wall Street used the same currency, clubs and diamonds, gambling on the stock exchange would not be a figure of speech. Also, Barclays' bank statements and hearts, diamonds, and spades would be a joy to read. Metals, gold, silver, copper, were the commodities most often used. Weighing chunks of metal was a nuisance. Coinage, pieces of metal of specified weight, eliminated that need for weighing. The ruler's head was stamped on coins to inspire confidence, or so it was said. John Maynard Keynes held that more often it was a thoughtful personal gesture by the ruler to himself. The singular feature of every monetary invention is the resulting search for ways and means to its abuse. After coins were invented, rulers and private entrepreneurs joined alike in clipping, sweating, or otherwise debasing them. The idea was to keep some of the precious metal and make a worse coin do the same work. This had great consequences to which I'll come in a moment. Coins, we might note, are now largely obsolete. They're used only as minor change for occasional nervous hoarding as collector's items, and most important of all, for slot machines. After coinage, the next great invention was the manufacture of money by a bank. This was wonderful, true magic, and so it still seems. It gave bankers much prestige and required that they have

great solemnity of manner. No one wants a funny man with a real license to manufacture money. The last great step was government paper money. This in the West was the invention of the British colonies in North America. Coins, banks, government paper required another invention, the central bank, something to regulate the manufacture of all this money. These are early pictures of the Bank of England. Historians agree that almost everything we know about central banking was learned here by the Bank of England.

Speaker 2

Tales from the history of money. Ladies and gentlemen, the historical tableau. Number one, 1609.

Speaker 1

The Bank of Amsterdam. A critical step in the history of money was taken here in the city of Amsterdam in the early 17th century. By 1600, hard coin money was abundant in Amsterdam as also throughout Europe. Silver and gold had been flowing into Europe from the New World. Mostly it was silver and mostly it had been mined by very hard toil by the Indians. Silver at the beginning of the 17th century, the time we're talking about, had become especially plentiful. This flow is demonstrating the most elementary proposition regarding money. The more abundant the money, everything else equal, the less it will buy. Because money was abundant, prices everywhere in Europe were rising. A good many people hadn't heard about the discovery of America in these years. But everyone in Europe was seeing its effects in whatever trifle they had to buy. However prestigious and upright the trading community, there was still that irresistible urge to tamper with the money, to sweat and clip the coins and make less metal do the work of more. The range and variety and quality of the coin available in Amsterdam was In 1606, the Dutch Parliament issued a manual for money changers. It listed no fewer than 846 different coins as being then in circulation. No one could now be certain, when he received a coin, what he was getting. It was to this problem of quality that the burghers of Amsterdam then addressed themselves. They created a bank owned by the city. And the bank solved the problem of the quality of coins by going back to weighing to decide how much metal of what purity was in the coins. In doing this, the town fathers pioneered the idea of public regulation of the money supply by a public bank. A merchant brought his wretched coins to the bank. The bank weighed them, scales like this, the deposit of the pure metal was then made to the merchant's account in the bank. This deposit was a highly reliable form of money. A merchant could transfer it to another merchant. The recipient knew that he was getting honest weight, but there was nothing funny. Then came the second discovery. The deposits that were so created did not need to be left idly in the bank. They could be lent The bank then got interest and the borrower had a deposit to his account that he could spend. But the original deposit still stood to the credit of the original depositor and that too could be spent. No one should

rub his or her eyes in amazement. Money, spendable money had been created. Something that's still being done every day. And creation of money by a bank is as simple as that. The important thing is that the original depositor and the borrower must not come at the same time for their deposits, for their money. They must trust their bank. They must, in a sense, believe that the bank isn't doing what it is doing. The Dutch merchants have always been skilled in getting money and learned in its use. And after 1600, they used it to build one of the most beautiful cities of Europe and to support the arts. After Rembrandt moved here in 1631, To join the many artists who had preceded him, Amsterdam had a clear claim to be considered the center of the whole art world. Patronage of the arts, painting, architecture, urban design, proved that a family deserved the money that it possessed. It would be nice to attribute this prosperity and this flowering of the artistic spirit all to the Bank of Amsterdam. Bankers would applaud. Chase Manhattan might even sponsor me on television. But as might be imagined, other factors were involved. Amsterdam was admirably situated on one of the outlets of the Rhine. It was also a tolerant place. Men who wanted to make money could do business here regardless of race, creed, or origin. And much of its prosperity was made by its Huguenots and Portuguese and Spanish Jews. This elegant house, by the way, is still owned by the Six family. The Six family were Huguenots by origin. Rembrandt was a friend of the family, his name still appears. in an early guestbook. And one of his great portraits, that of the first Jan VI, is still in this house. I said earlier that any monetary reform carries the seeds of its own abuse. So it was with the Bank of Amsterdam. One of the important borrowers from the bank was the Dutch East India Company, and in time, the East India Company fell on hard times. There was war with England, the ships did not come back, and loans went into default. Early in the last century, the depositors started coming to the Bank of Amsterdam for their money, and they couldn't be paid. And so it came about that in 1819, after two centuries of service, the affairs of the bank had to be wound up. By then, however, there was a much more spectacular example of how a bank could abuse the creation of money. The history now moves to Paris, more elegant, more theatrical, although not more beautiful than Amsterdam. Louis XIV, having lived too long, was now dead. His heir was only a boy. had great debts and little money. The regent was incompetent, intellectually as well as financially bankrupt. Such men in such straits are open to persuasion, any promise of magic. What was needed was some magician who could transform the regent's debts into assets or perform some similar feat of ledger domain. As it happens, a very accomplished rascal was available. So accomplished that some historians regret the word rascal. His name was John Law. These are his rooms in Paris. Law was the son of a well-to-do Edinburgh goldsmith who was also a banker. Goldsmiths in those days were often bankers because they had good strong boxes. He had come to Paris a few years before, not wholly by his own choice. He was wanted in England on a murder rap. He'd been unduly successful in a duel. In addition to dueling, he was an accomplished gambler. He was said to have met the regent in a gambling hall, and he had a genuinely innovative mind

in other fields of finance. In 1716, Law got permission from the regent to establish a bank, the Bank Royale. This then took over the debts of the regent and those of the realm. These debts were then paid off with notes of the bank. This considerable endowment served Law's purposes in two ways. The notes that his bank were issuing were backed in principle by gold and silver. The needs for the regent being large, the note issue was also very large. By no stretch of the imagination was there enough gold and silver in France to redeem the notes. So the imagination was stretched to include Louisiana. Where it was held, the gold and silver were available in unlimited supply, mountains of precious metals. The reality was wonderful in its way. Forests, swampland, rich farmland, great rivers, but unfortunately no gold. John Law was not deterred. He organized a company to conduct trade with this territory, the Company of the West, known ever since as the Mississippi Company. And the company held absolute title to all land from the Gulf of Mexico to Canada, from the Rockies east to the Alleghenies. An excellent piece of real estate. And the regent made John Law the titular lord of this manner, the first and only Duc de Arkansas. The year 1719 was a truly wonderful time. Law's notes went out by the hundreds of millions to pay the regent's debts. People paid off in the notes, rushed to buy stock in the Bank Royale, the wonderful machine that was making the money. or in the Mississippi company that was thought to be mining the gold. The stocks went up and up. It's to this year that we owe the useful French word millionaire. Crowds also swarmed here to the Place Vendome to Law's headquarters. Some hoped to catch a glimpse of him. Some, on one pretext or another, hoped to get inside. Those who got inside asked Law to sell him stock. Women investors, histories tell us with much pleasure, offered themselves as an added inducement. This must have been an interesting experience for someone from Scotland. Anyhow, it would have been an interesting experience for anyone from the part of Scottish Canada that I came from. If there were occasional doubts, there were also means of dispelling them. Criminals and mendicants were flushed out of their accustomed haunts. marched through the streets with shovels, as though on the way to New Orleans to mine gold. And some actually went. Quite a few were soon seen in Paris again, having sold their shovels. Ladies of medium virtue, as literally they were called, were also recruited as wives. It had seemed a perfect circle, Law's notes going out to pay the regent's debts, coming back to buy the stock. But there came a day in 1720 when serious doubts developed. People brought their notes not to buy stock, but to the Bank Royale for the gold and silver that were not there. The gold and silver that by the nature of banking, and this bank especially, were not there. The rush to get hard money became a panic. The notes became worthless. The rue cane compois, where law had started the bank, was quiet again. It was a classic crash, the classic crash. For a while, people had felt rich, and prices being good and trade lively to some extent they had been. Now everyone was poor, or so it seemed. What of the Duc de Arkansas? Parisians got what pleasure they could from proposing in a song that his notes be put to the most vulgar possible use. The regent had to protect John Law from the mob, and Law went to

Venice, where he died in poverty. The Duke de Sensimon, who chronicled Law's adventures, thought he failed because the French lacked restraint. The English would do better. The English did do better. 20 years before Law's arrival in Paris, a fellow countryman, William Patterson, also from the Scottish Lowlands, had sold essentially the same idea to William of Orange. William, like the Regent, needed money. He too got it in return for the right of a bank to make loans with newly issued notes. In 1694, out of this bargain, the Bank of England was born. Patterson was soon thrown out, most likely over a conflict of interest. It seems he was promoting a rival bank, but Patterson's bank flourished. Central bankers the world around still bask in its aura. To be a central banker is to be automatically a man of wisdom in touch with the most arcane financial mysteries of the time. This is the legacy of the Bank of England. The men of the bank remain conscious of that legacy. They guard well the original charter and William's seal. The decisions that were taken by the court of directors in this handsome room were not all that mysterious. with a little diligence and attention. They could have been understood by the people who marveled at their wisdom, and they can be understood by you. The Bank of England, then as now, was a banker's bank. As such, it loaned money to the everyday banks, the banks where people keep their money and the banks where businessmen get their loans. In this role, It restrained the banks, the ordinary banks, when they seemed to be lending too freely. When by the process we saw back in Amsterdam, such loans were creating too many deposits and thus manufacturing too much money, and therefore, among other things, causing prices to go up. The bank restrained such lending by the commercial banks by putting up the interest rate it charged. This was called the bank rate. And it discouraged borrowing by telling the securities it possessed for cash. When it did this, the Bank of England transferred the cash from the strong rooms of the bank to its own vaults. And in consequence, the ordinary banks, the commercial banks, had less money to lend. They might then have to borrow from the Bank of England at the new high rate in order to replenish their cash. In reverse, the same action would expand loans, increase the money supply, cause business to expand, prices to go up. Or so in any case, it was hoped. You now understand the bank rate, what in the United States is called the discount rate. And you understand open market operations, for that is what the sale of those securities and the transfer of cash into the vaults of the central bank really means. And in consequence of understanding these two things, you've largely mastered the essentials of central banking as these were perfected here in the Bank of England in the last century. I must mention one more function. In the nature of banking, both the original depositor and the man who borrows and gets a deposit have a claim on the same cash. And if they both come at the same time for that cash, there's obviously going to be trouble, what my offspring used to call a bad scene. And in times of panic and despair, there's a very good chance that they both may come. When this happens, It's the task of the central bank to rise above the panic and above the despair and ensure that the banks have the cash to provide everybody with their money. And here we come to the paradox of

banking, that if depositors know they can get their money, they almost never want it. In the last century, the Bank of England came to supply this assurance by supplying the commercial banks, or as in England they are called the clearing banks, with the money to cover all of the claims that were made upon them by their depositors. It perfected the further function of the central bank, which is to be, as is now called, the lender of last resort. The Victorians raised open market operations, the bank rate, services the lender of last resort to the level of art. Men heard with grave attention that the bank rate had been raised or lowered. They didn't know what it meant, but they knew it was an act of extreme wisdom. Wisdom hadn't come as easily as the Victorians supposed. The bank had narrowly escaped involvement in the South Sea bubble, and it was caught up in later periods of speculative euphoria. In these fine cartoons, the bank, the old lady of Threadneedle Street, is under attack for abetting Pitt's inflationary schemes, printing paper money. The accusation was in fact sound, but not very practical. It was, it happens, the only way of getting money quickly to fight Napoleon. The bank was captured by the general spirit of the times. It's the old question, who regulates the regulators? Who is the king in a world of the blind when there isn't even a one-eyed man? If central banking belongs to Britain, paper money, government paper money belongs to America. No people have ever rivaled Americans in their faith or delight in monetary experiment. It began in the colonies, and out of this experimental instinct, paper money was born. The birthplace was here in Massachusetts. The year was 1690, four years before the Bank of England was born. Massachusetts soldiers had just returned from a failed campaign against Quebec, where in the same years that playing card money was coming into use. Angry soldiers can be annoying, so they were given notes promising that one day real money would be paid. As with the early banknotes, the money promised was gold or silver. Rhode Island and South Carolina issued notes in huge volume with no thought of eventual redemption. The middle colonies, Pennsylvania, Maryland, New York, used the new invention with surprising good sense and restraint, found it a great convenience and an antidote to falling prices to press business. Restraint or not, London did not approve. By 1764, Parliament had fully forbidden this dreadful nonsense as they saw it. The action caused almost as much resentment here in Philadelphia as did the taxes. If you're planning a revolution, you should first of all, no doubt, get a cause and an army. But then, based on all experience, you should get yourself a printing press. Revolutionary governments cannot easily levy taxes, especially if the revolt is against bad taxes. Their credit isn't likely to be good, so they can't borrow. And there remains only the printing of money. Money sold printed paid for the Russian Revolution, likewise for the revolt of the Confederate States, likewise for the French Revolution, the famous Asinats were issued against the security of the church lands. in the land of the nobility. And 200 years ago, paper money paid for the American Revolution. Some of this money was issued by the states, which is not a surprising thing, since as colonies they had pioneered in this particular invention. And the rest of the Continental Notes were authorized by the Continental Congress. One

result, one predictable result, was severe inflation. By the end of the war, a pair of shoes cost about $5,000 in Virginia, and a full outfit came to around a million. But there was no alternative. The colonists, as all know, were greatly opposed to taxation without representation, a principle that was first discussed here in Carpenter's Hall in Philadelphia. And also, a very much neglected point, they were almost equally opposed to taxation with representation. No one thought that the new republic was even a passable credit risk, so only one thing remained, paper money. It was paper money that saved the day. This has, on the whole, never been admitted. When the war was over, the sound money men wrote the history. and they could not have it said that the United States had been conceived in financial sin. So they held that the financing of the revolution was a terrible mess without ever explaining what would have been practical as well as right. And their view persists pretty much to this day. The Continental note has come down to us only as a symbol of opprobrium. Something is not worth a Continental. The historians even edited Benjamin Franklin. He was a powerful advocate of paper money, and he also printed it on his own press. This is scarcely mentioned. Children are told only that Franklin was a great man in diplomacy and thrift and electricity. The paper money served a high function. But no one liked the resulting inflation, and in consequence, the Constitution forbade the states to issue paper money, even as Parliament had done. It also intended to forbid it to the federal government as well, but the Supreme Court amended the Constitution on this point. Banks had also been prohibited by the British. On these, there was now no prohibition. If the government could not print money, the banks could. A man could set up a bank, print notes, make loans in these notes to himself and to his friends. These would buy horses, cattle, machinery, put the borrower in business. A wonderful thing, a bank. The citizens of the new republic discovered banking as an adolescent discovers fornication. The wonder was not shared by the eastern merchants and bankers, to whom the notes came as payments for goods or debts. They wanted money that could be redeemed in gold or silver, held, sent on to England to buy goods. Here were the seeds of the most persistent political conflict in American history, and after slavery, the most bitter. It was between the men who wanted good money and those who wanted the bad money that was so good for putting them in business. The conflict began, actually, with Alexander Hamilton, the first Secretary of the Treasury. He redeemed the continental notes at the substantial rate of one cent on the dollar, the act of a sound money man. He also established a central bank on the lines of the Bank of England to keep the new state banks in line. It lasted only a few years. The high point of this struggle over good and bad money came in the 1830s. The combatants, Nicholas Biddle, President of the Second Bank of the United States, here hydra-headed, sinister. Andrew Jackson, President of the United States. Biddle was preeminently a member of the Eastern establishment, as the Biddles have been ever since. Andrew Jackson spoke for the frontier, Tennessee. Biddle's Second Bank, like Hamilton's first, was intended to keep the small banks in line. It returned their notes for collection in gold and silver, forced them to keep their

note issue in reasonable relation to their hard cash. This limited the right to create the money that for the frontiersmen seemed like magic and often was. 1832 was the year of the historic showdown. Early that year, the Friends of the Bank and Congress, led by Henry Clay, renewed the charter of the bank. Jackson came back with a stinging veto. The presidential election was then fought on the issue. Biddle had the money. Jackson had the votes. The bank was defeated. Money doesn't always win. Power is also a one-time thing. Biddle very soon went broke himself. The state banks were wonderfully free then for nearly a century. The carnival again. Once Biddle's hand had been lifted, the state banks exploded in number. Almost anyone could open a bank. It became literally a human right. The best documented story is of the backwoods banks of Michigan. This is a story of imaginative fraud and deception. Practiced in the main by men who believed they were rendering a public service. And maybe they were.

Speaker 2

1825 to 1836. 18 new banks are chartered in the new state of Michigan.

Speaker 3

The Bank of St. Clair, the People's Bank of Grand River, the Palmyra and Jacksonburg Railroad Bank, the Goodrich Bank, the Farmers Bank of Sandstone, the Shiawassee Bank, the Bank of Battle Creek, the Bank of Coldwater, the Farmers Bank of Sharon.

Speaker 1

Here in Michigan, as elsewhere, banks were required to maintain a specified reserve of gold and silver against the notes that they had printed and loaned out to their customers. Boxes of coins were sent around through the forest just in front of the commissioners. Here is Commissioner Alpheus Finch. His report, like all such reports, was made after the crash. After people had started coming to the banks to exchange their banknotes for the hard cash, which, by the nature of their operations, was never there.

Speaker 3

At Jackson, 9 boxes, said to contain $1,000 each for security, were pulled out from under the counter. Every box had a top layer of half dollars, but the remaining contents proved to be lead, 10 penny nails, and in one instance, broken glass. In Oakland County Bank, the vault contained about $40 in species, against a book account of $41,000. Few can imagine the fear and despondency the hopes and disappointments which agitated the community in those days of inflation and speculation.

Speaker 1

The carnival did finance a truly phenomenal national expansion. The first price was terrible monetary confusion. By 1860, banknote circulation, good, bad and bogus, was

as bad as the coinage in Amsterdam. Notes were then prohibited, but by then, deposits were in any case taking their place. The second price was the cycle of boom and bust.

Speaker 2

Roll up and ride the business cycle. If it's good enough for him, it should be good enough for you, sir. Perfectly safe. No risk involved. No risk at all.

Speaker 1

The risk, in fact, was very great. This perilous ride This cycle of boom and bust continued through the last century and into the present one. Other countries were taken for the ride, Britain being always the special passenger, but other countries went too. From crash to crash was usually around 20 years, about time for the memory of the last misfortune to fade, the impression that this was a new era to arise. Money creation contributed both to the speculation and to the ensuing collapse. During the boom, the banks, old and new, expanded their loans, note issue and deposits. This money financed the speculation, which was sometimes in canal stock, sometimes in railroad stock, often in land, later in commodities, and in stocks in general. During each boom, doubters were dismissed as men of no imagination. During each depression, Politicians denied that anything much was wrong. Financial leaders and professional statesmen said confidence was needed, or they asked for patience, or sometimes they urged prayer. In the panic of 1907, JP Morgan, the great Pierpont Morgan, called together the Protestant clergymen of New York and asked them to tell their congregations to leave their money in the banks. His slogan, In God We Trust, and damn well also the banks too. The trust was misplaced, especially as regards the small banks. In depression, they failed by the hundreds. The money the people lost could not be spent, and this deepened the depression for everyone. The solution after 85 years was to reverse the Jacksonian victory create a central bank. It would regulate lending, money creation by the subordinate banks just as Biddle had attempted. And in 1914, a central bank was established. This was the Federal Reserve System. Here from an early educational film is its view of its task, and it's very positive. This few economists have shared. They teach lovingly of its functions, even have an affectionate or slightly repellent nickname, the Fed. Even more positive are the words below the plaque of the patron saint, Senator Carter Glass, at the Washington headquarters. ought merely to correct and cure periodical financial debauches, hard words those, not simply indeed to aid the banking community alone, but to give vision and scope and security to commerce. The reality was perhaps less transcendental. Such were the old suspicions that 12 banks were established instead of 1, St. Louis, for example, Philadelphia, New York with a central authority in Washington, the Federal Reserve Board. The power of the central authority was weak and undefined, and the regional banks wished to assert, where possible, their claim to financial acuity and eminence to prove that St. Louis, San Francisco, Richmond was a place of financial consequence. This wish was especially strong here

in New York Surely the financial capital. On the whole, until 1935, when Washington Authority was affirmed, power was here at the New York Reserve Bank. Until then, it was troublesome not knowing who was in charge. More serious was an early instinct for doing whatever made economic conditions worse. In the years following World War I, There was serious speculation in commodities and farmland, the great boom of 1919, 1920. Federal Reserve, pressed by the Treasury, kept credit easy, provided funds for that speculation. And after the collapse, it tightened up, helped make the resulting depression more painful to all. Then in 1927, as the great stock market boom was getting underway, it eased credit, opened the door to the boom, and thus to the great stock market crash of 1929. The Depression years revealed another defect, this in the theory by which a central bank was expected to manage the economy. Slowly, interest rates were lowered, eventually to 1.5% here at the New York Bank. And after some delay, government bonds were bought in the open market, and the banks were made flush with unused cash. All that remained was for borrowers to borrow, banks to lend. And alas, they didn't. Reserves, gold, simply piled up as here in the banks and the reserve banks. The depression was too serious. Why borrow if you couldn't make money? Why lend if the borrower was likely to go broke? And without the willingness of the borrowers to borrow, lenders to lend, The gold reserves lay dead. The Federal Reserve couldn't increase the money supply, stimulate spending, ease the depression. It was helpless. Obviously, something remained to be learned about the management of money. To the tables down at Maury's To the place where Louis dwells Not many will think that this scene presupposes a serious approach to learning. Strange things happen. Yale University was the home of one of the two greatest modern students of money. This was Irving Fisher, and Money Keynes called him my earliest teacher. He showed that the study of money doesn't make everyone A conformist. Fisher, a neat, slender, handsome man with a patrician manner and a beautifully trimmed beard, was many things. He was a learned mathematician, a successful inventor, a disastrous speculator, and a committed improver of the human race. He invented this simple index system which he then manufactured himself and later sold at a handsome price to Remington Rand. In the late 1920s, Fisher went heavily into the stock market. And in the crisis, he lost between $8 and $10 million, a sizable sum even for an economics professor. Here in this room and elsewhere in Yale, Fisher pioneered in the development of index numbers. When you read that the consumer's price index has gone up or the cost of living index has gone up, it's Fisher you have ultimately to thank. He pioneered also in mathematical economics. Fisher's greatest contribution, however, was to our understanding of money. He showed in one simple formula what determines its value. And here is the formula. And no one, however averse to mathematics, should be put off by it. is equal to MV plus M prime V prime over T. P is prices. M is the quantity of ordinary money or cash in circulation. M prime is also money. It's that larger part which consists of bank deposits. V and V prime are the rates at which each of these two kinds of money are spent, their velocity of circulation. Prices

go up as the amount of money, the M's, go up. The value of money, therefore, depends basically on its quantity. However, if money is quickly spent, the effect will be greater than if it lies buried in a mattress or a bank vault. So the quantity is multiplied by the rate of turnover by the V's or the velocity of circulation. And a particular increase in money supply will have more effect on prices if it is concentrated on a few transactions than if it is spread over a great money. So you then divide by the number of transactions, the t in the equation, to allow for the volume of trade. Let me repeat it once more. Prices will rise as the supply of circulating money and its velocity of circulation increase. And as the supply of bank deposits and their velocity of circulation increase. Then you divide by the volume of trade to eliminate the effect of any change in this. Fisher's equation of exchange as a statement of basic relationships still stands. It could quite possibly be as durable as pi r squared. For Fisher, however, the equation was no mere description of how things work. It was highly operational. By increasing or decreasing the supply of money, he concluded that you could increase or decrease prices. So by regulating the supply of money, you could regulate prices. And this, Fisher proceeded to urge. In the 1930s, in the Great Depression years, prices were painfully distressingly low. And so in 1933, in a very restricted form, Fisher's proposal was adopted. The goal content of the dollar was reduced. For the same goal, there could be more dollars, more money. It was hoped that prices would rise and that business and employment would also improve. It didn't, in fact, work. partly because the government kept most of the dollars in a special treasury fund. But Fisher's own formula showed how this and similar later efforts could be frustrated. For as money was created, people and frightened people as they were in the years of the Depression could simply hold on to the money. And in this way, falling velocity, falling these, could offset the increase in the quantity of money. Also, bank deposits, as we saw back in Amsterdam, increase only when the banks lend money. And in the 1930s, the banks were also very frightened. And they too froze up, did not lend. Irving Fisher's great idea was that the supply of money would and should be controlled. The monetary system would no longer be a carnival ride made exciting by the accidents of gold discovery or non-discovery and by the wilder swings of pessimism and optimism of the bankers. Fisher showed how the supply of hard money could be increased by changing the gold content of the dollar and making the same amount of gold provide more money. What he could not ensure, especially during a depression, was that people would spend the money that was so created, or that the banks would do their share in money creation by making loans. This was the problem, having the government create the money and then ensure its expenditure, that John Maynard Keynes was to solve. It would be called the Keynesian revolution.