THE CORE OF the American policy in Germany is to help liberal German forces develop and maintain a strong and peaceful democratic state; a state responsive to the will of the people, zealous and able to protect the rights of individuals; a state which will not again fall easy prey to warlike dictatorship, whether from the right or the left, whether from within or without.

We look forward to the day when a truly democratic German state will be integrated, on a basis of full equality, into the Western European community. We believe that the majority of Germans share these same hopes.

The building of such a German state presents tremendous problems. It will take too long to discuss most of them, or how Allied policies bear upon them. Accordingly, I will confine my remarks to certain of our policies in the economic field. More specifically I will discuss the Allied programs for dividing up large combines and outlawing cartels.

Many Germans do not understand these policies or the motives behind them. They seem to think that their purpose is punitive. That is simply not true. Actually, these policies are intended to assist in building a sound German democracy, which will promote the welfare of the average man.

These policies have three related aspects.

1. We want to break up certain huge combines which have been in a position to dominate markets and production and even to control or strongly influence government policy. It is our purpose to divide them into a number of independent and economically efficient units which will freely compete with one another. Outstanding examples of these huge combinations are I.G. Farben Industry, certain companies in the coal, iron and steel industries, and the former German Reich motion-picture monopoly.

It is not our purpose to diminish the total of industrial capacity in any of these fields: Our program is simply to replace one or more dominating combinations with a number of smaller, economically sound, competitive enterprises.

2. We want to do away with cartel restrictions on trade. Thus, agreements among producers or sellers to restrict production or marketing are to be eliminated so that industry will be free to develop maximum productive efficiency. Each unit in an industry will be compelled by competitive pressure to match the standards set by the most efficient units in that industry. No one engaged in any trade shall be required to be a member of any trade association. No trade association shall be permitted to usurp the powers of government.

3. We want to promote greater freedom of economic opportunity. We strongly believe that everyone shall be free to follow any trade or profession for which he is qualified. For that reason we have been opposed to recent licensing legislation of the states which, without any social justification, deprived individuals of the right to engage in many trades and businesses.

THESE ARE, in skeleton form, three policies which we believe essential to the economic basis of a truly democratic state. Now let me turn to the political and economic reasons which underlie these policies. First, the political reasons.

Both history and our own experience have convinced us that the survival and vitality of a democracy depend upon wide diffusion of power within the community. With us this idea is traditional. For Thomas Jefferson the ideal state was composed of small independent proprietors, farmers and artisans. The last century has greatly changed this picture, but we believe that Jefferson's idea is still valid. If dominant power is concentrated in the hands of a few men, whether they claim to use it for the good of all or for their own selfish ends, it will be used sooner or later to oppress and exploit the community.

In modern society, power has many and various forms: It may be political, it may be economic, it may be power over public opinion. One basic problem in a democracy is how to control these types of power. In our opinion, the surest and safest way is to diffuse such power among a great many persons and groups and agencies.

Political power must be controlled by dividing it up. Every citizen must have a vote and the right to exercise it freely. Power must be diffused with the government

Mr. Bowie delivering the speech which is the text of this article at the US Information Center opened in Hamburg Aug. 18. At right is interpreter. (PRD HICOG photo)
That concept is now exemplified in the Basic Law of the Federal Republic of Germany. Political power is divided between the federal government and the states, and between the executive and the legislature.

The Basic Law provided for, and we hope there will soon come into being, a constitutional court, to protect the rights of the individual from abuse of power by either the executive or the legislature. These various devices make it difficult for a small group to seize the key centers of power and impose its will upon the rest of the country.

But the effective control of political power also depends on an alert and independent public opinion. No one should know better than Germans the disastrous results of a concentration of power over opinion, when every medium of information and education becomes only a mouthpiece of a few men, or one man — who may be a fanatic or a criminal, or actually insane. Hence we believe in the maintenance of many independent centers of opinion — the universities, churches, newspapers, radio and labor unions, to name a few of the most important.

In our country, one safeguard against a monopoly of power over public opinion is the Bill of Rights, which is part of our Constitution. Every man is guaranteed the right to say and write what he thinks, so long as he refrains from inciting to violence or disorder or organizing insurrection. No matter how wrongheaded his opinion may seem to the majority or to the government, he has the right to try peacefully to persuade others to agree with him. Likewise, every man has the right to read or hear whatever he wants. Similar guarantees are now enshrined in the German Basic Law. It is our hope and belief that these rights can be protected and enforced in Germany as they have been in Great Britain and America.

For similar reasons, we believe that it is just as dangerous to democracy to concentrate too much economic power in the hands of a small group. Indeed, such a group can use its power to help create political dictatorship. Hitler's rise was aided in no small measure by the existence of great economic concentrations such as I. G. Farben and Krupp. The task of regimenting German industry under the Nazi standards might have been much more difficult, if there had been a larger number of independent centers of economic power.

Our decartelization and deconcentration policy aims to diffuse economic power more widely and to prevent the concentration of too much power in too few hands. In this way we believe it contributes to a sounder political base for a stable democratic order.

These policies, we believe, also promote democracy in a second way. We know from experience that democracy requires a stable but progressive economy; an economy which can give the average man reasonable security combined with a rising standard of living. It is too much to expect a man to vote intelligently when he must spend his whole time struggling for the bare necessities of existence. The problem, therefore, is to achieve such an economy, and to do it without jeopardizing political freedom.

American experience may throw some light on that problem. On the basis of our experience, we are convinced that the existence of independent, industrial units leads to a dynamic, free competing, progressive economy, which can support improving standards of living for the average man.

We do not claim to have a perfect and immutable economic system. But, to date, we have managed to secure individual freedom and a high and rising standard of living. I think, therefore, that our experience is worth considering.

When the United States was first established, its founders believed in freedom of trade — it was another aspect of the emancipation of the common people from oppression by the privileged few. Jefferson and the other founders were in revolt not only against political rule by the few, but also against "mercantilism," which was the economic policy of the monarchies and oligarchies of the era.

"Mercantilism" was a system of governmental promotion and friendly control of big business, plus wide control of economic affairs in general — not for the purpose of improving the economic welfare of the people, but for the benefit of privileged minorities and to bolster the military power of the state. Legal monopolies were granted to
groups of established big businessmen, and multitudes of restrictive regulations were imposed on the activities of little businessmen, farmers and working men. In some ways this policy was in essence very much like Nazi economic policy.

The men who founded American democracy were naturally opposed to such an economic regime. Stated in the broadest terms, they believed in an economic system of free opportunity, free trade, free competition, with a minimum of government intervention. Their idea was that economic freedom for everyone would subject the old monopolies and business in general to the stimulus of competition and would give every man a chance to use his talents for the benefit of himself and the public.

The Jeffersonian ideal of a society of small individual producers has had to be modified because of the great technological advances of the 19th century. The industrial revolution required and created larger economic units than had been needed for the hand industries and small populations of Jefferson's day. And, as the 19th century drew to a close, we discovered that selfish businessmen, if unchecked by government, could create pernicious monopolies by abusing their economic power.

Whether such restraints of trade are called trusts or cartels, they have the same purposes and the same results; and those purposes and results are inimical to the common welfare. The central idea of a trust or cartel is to throttle competition and restrict production, in order to increase the profits or security of the members.

It is based on the concept of a static economy, which sacrifices progress to preserve the status quo, and which holds back the most efficient producers in order to protect the least efficient. To this end technological advances are suppressed, because they might render our production facilities obsolete, cut profits and force some producers out of business. Prices are often kept too high, thus limiting the market for the product. The aim of the cartel is to make profits out of high prices and low production, rather than low prices and high production. Producers who seek to compete actively are forced out of business.

The consequences of such restraints are familiar. They effectively put a brake on the rise of the standard of living. They restrict quantity and improvement of quality. They block the creation of new enterprises which might jeopardize the less efficient members of the cartel. Moreover, when competition is eliminated, the whole system of production is in danger of breaking down. If there is real competition, prices find their fair level, and the result is more goods and more work. But when competition is suppressed and prices artificially raised, this reduces the amount of goods and of work. If this process becomes widespread, the cumulative effect may be depression and unemployment. Democracy cannot long survive under such conditions. In Germany, they led directly to Hitler.

In the face of such trends, it becomes clear that government must not only refrain from granting monopolies; it must also prevent private individuals and groups from arrogating monopolies to themselves.

Government can take two courses. It can itself take over the industry and operate it in the public interest. Certainly, America has not rejected that solution entirely. We regulate many industries in the public interest. But we feel that widespread governmental ownership of industry poses great risks: it destroys the factor of competition and itself creates a serious concentration of power.

As Germans know, or should know, better than anyone in the world outside the Iron Curtain, when governments concentrate in themselves political and economic power, they are capable of turning into machines for exploitation and oppression far more ruthless than private capitalists, however selfish.

Thus, we Americans still believe in the Jeffersonian concept of wide diffusion of power, economic and political, among the masses of the people. We do not, of course, have a completely free economy. Perhaps no such thing is possible in modern industrial society. But, by and large, our government intervention has generally been directed toward the diffusion of economic power among all the people and often toward breaking up and preventing undue concentrations of power.

We have passed laws to prevent monopoly, to keep trusts and cartels from limiting production, from keeping prices up and from generally restraining trade. We have engaged in constant efforts to insure that manufacturers and businessmen do not conspire among themselves to suppress competition. Where monopolies have developed, the government has stepped in to break them up.

We have passed laws which safeguard the right of labor to organize and to bargain collectively with employers for labor's fair share of the benefits of our system of production. Where completely free competition

German social workers and volunteers discuss social welfare problems with Professor Dorothea Spellmann (right), American social studies expert and head of the World Group Section of the University of Denver's School of Social Work, at meeting at Kreuzberg Neighborhood Center, Berlin. In group, l-r., are Kaethe Mueller, Gisela Bitterbings, Margit Paltz and Erna Appelt, Berlin welfare workers. (PRB HOCO-BE photo)
is not feasible — as, for example, in the field of electric power or transportation — we have taken steps to insure as much competition as is practicable, and we have created public bodies to regulate the industry in the general interest.

We believe that Germany and its citizens could profit from a similar approach. Yet many Germans believe in a protected and limited system of production. Some argue that shortage of capital in Germany makes it necessary to limit production and to maintain high prices. But our experience has been that a constant effort to increase production and lower prices expands the purchasing power of the masses of the people, and the markets for products, and permits industry to grow to meet the public's need for the product.

Other opponents of this policy argue that labor can receive high wages only if prices are kept high. My answer to that is pragmatic. As everybody knows, American real wages have long been by far the highest in the world. Organized labor in America has vigorously supported the strengthening and enforcement of the antitrust laws, because it has found that competition leads to high production at low prices and to high real wages. American production is the highest in the world, and average Americans, whether farmers, tradesmen or factory workers, have had the highest standard of living, while at the same time preserving their personal freedom.

By the same token, we are convinced that the right to follow any trade or profession one chooses is a strong bulwark of democracy. For that reason, we have objected to some recent licensing legislation of the state. The Allied High Commission has, in fact, sent to the federal government and to each of the states a statement of principles which we believe should govern such legislation.

Those principles are in substance (1) that no license should be required to engage in an occupation unless necessary to protect public health, safety or welfare; (2) that even where licensing is justified, the only test should be the competence of the applicant; and (3) that applicants should be protected against discrimination.

In conclusion, let me briefly sum up. The United States has basically just one objective in Germany: to encourage the growth of a healthy, firmly rooted and peaceful democracy which can be accepted as a full partner in the community of free democratic nations.

To that end, and that end only, an important goal of our occupation policy has been to do away with the excessive concentrations of economic power.

We want to spread in Germany the belief that the economy should be dynamic — that industry should be constantly striving to produce more at lower prices, and that individuals should be free to follow any trade or profession of their choice and to compete freely in the production of goods or services.

We believe that this policy strengthens democracy in two ways: by diffusing economic power among the people, and by raising their standard of living. Thus it is a constructive policy in the most fundamental sense. It contributes directly to the stability and growth of a strong, peaceful democracy, which will best serve both Germany and the world.

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