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MEMORANDUM

THE WHITE HOUSE
WASHINGTON

7/14/75



To: James Cannon
From: Sam Halper

1. Breakfasted with Marlow Cook. He would like to go to San Juan but fears a) the mischief that might be done with the sort of all-out press conference that would certainly ensue upon his appearance, and b) that Res. Comm. Jaime Benitez might insist on going along which would greatly impede Cook's mission—to talk confidentially and frankly [redacted] to the Governor so as to bring the work of the Adhoc Advisory Group to a successful conclusion.

I am persuaded by this reasoning. More of Don Jaime's grandstanding and childishness are not what is needed at this time. The final meeting of the [redacted] Group, Thursday to Saturday July 31-August 2, should produce an agreed-upon, viable document and this will take some horse-trading—not too much—that can best be done between Sen. Cook and Gov. Hernandez Colon. The Senator and I therefore agreed that it might be best if the Governor—using as pretext the need to deal with pressing matters in Washington, as he [redacted] invariably does—arrived, say, next week and talked with Cook.

I phoned this noon Senator Miguel Hernandez Agosto, a reliable intermediary, and asked if I need go down to Puerto Rico to extend the invitation [redacted] or whether it could be done by phone. Sen. Hernandez said: "He would very much appreciate your appraisal of the situation. You have both established a better relationship than you realize. I strongly advise you to come and discuss the matter with the Governor." [redacted] Sen. Hernandez asked if I could arrive before Thursday evening and I said I believed that I could.

Questions

*Do you agree that the Governor should come here rather than have Cook go there?

*Do you agree that I should make an advance trip before Thursday evening to see the Governor and, incidentally, Munoz, as well as a few others? (Munoz did not attend the hearing last week. The reason given was that he had the [redacted] flu. This may be. Sen. Cook, however, believes it was a diplomatic illness; that Munoz, fearing failure, did not want to be present. I have not yet been able to ascertain whether this is so.)

Sen. Hernandez will see the Governor and call back at 5 P. M. or after. I would appreciate knowing, before he calls, whether you concur with the projected arrangement: 1) Halper to go Puerto Rico this week, 2) The Governor to come to Washington before the final meeting, preferably next week.

Sorry to give you such short notice but [redacted] was unable to reach you.

*Five -
Talk to John Dunlop*

7/16/75

To: Jim Cannon

From: Sam Halper

If there is one change that ought to come out of the Adhoc Advisory Group hearings, it is a change in the minimum wage law. Puerto Rico simply has to be able to manipulate its wage scale so as to sop up some of that surplus labor.

How to do it is another matter. There has to be a way and Marlow Cook asked me to ask you to get a couple of bright lawyers from the Labor Dept. to do the job. First thing, they should talk with Lawyer Cook. This needs to be done before the final meet, starting July 31, and it may take a good hunk of time.

Sam



2025 JUL 24 10 30 AM

July 22, 1975

Jim:

Before we meet and talk about the New Right-Old Right I would recommend this article. It was written in 1934, updated 1939 and is still probably the best piece on the subject. The author didn't write worth a damn in the first part, ~~but~~ nevertheless...

Irs,


Sam Halper

Read I



THE THEORETICAL RELATIONS OF FASCISM TO LIBERALISM

BY
SAM G. HALPER

Reprint from SOCIAL SCIENCE
Vol. 14, No. 4
October, 1939





The Theoretical Relations of Fascism to Liberalism

By Sam G. Halper

Graduate Student, Columbia University

CONTEMPORARY liberal democracies view fascism as a repugnant threat to their form of society. To them, Hitler and Mussolini seem as dangerous as the followers of Marx. They feel that fascism, like communism, offers only contradictions to their present social and economic organization.

On the other hand, the Marxists, far from accepting this point of view, have designated fascism as a stage of capitalism. Still, they apparently have not recognized the corollary of their analysis—that since fascism and liberalism are both stages in the development of capitalism—their theoretical bases must have many elements in common.

The fascists, denying the Marxist viewpoint, themselves agree with the prevalent opinion that their doctrine is a complete rejection of economic liberalism. In fact the annals of fascism are filled with diatribes against liberalism. Said Mussolini: "Fascism has taken up an attitude of complete opposition to the doctrines of liberalism both in the political field and in the field of economics. . . ." Pietro Gorgolino, important fascist leader, reaffirms this, saying, "Against the liberal bourgeois state that has created the monopolies and the capitalist wealth, fascism rises compactly and

battles for the transformation, within its own precincts, of the state organization."

Various considerations indicate that fascism, instead of being the antithesis of liberalism, is in many ways identical with it. Laski says in his *Rise of Liberalism*: ". . . What produced liberalism was the emergence of a new economic society at the end of the middle ages. . . . In its living principle, it was the idea by which the new middle class rose to a position of political dominance. . . . The idea of liberalism, in short, is historically connected, in an inescapable way, with the ownership of property." Economic liberalism can be defined as that doctrine which holds that the social welfare is best promoted by the institution of private property as guided by free competition. Inevitably, therefore, it is against any forces or structures, such as large scale industries, that tend to monopoly. For these reasons liberalism is a doctrine that favors the middle class because competition implies a large number of small entrepreneurs.

Liberalism first asserted its creed in a definite manner when it appeared as the reaction of the middle class against mercantilism. The more advanced states of Europe were foster-

ing monopolies, promulgating heavy tariffs, navigation laws, etc., that resulted in a stifling of competition and retarding of industry's normal development. Because at this time state intervention was virtually prohibiting competition, economic liberalism grasped at the idea that laissez faire was the logical way to the attainment of its principles.

After the triumph of liberalism, it appeared as though the liberals thought that a bountiful Providence had created an order of nature in which the individual owner of property was compelled, in following his own objectives, to labor for the common good. The basic doctrine of economic liberals then, was that the regime of economic liberty would almost automatically direct production into channels that would provide, as effectively as possible, socially needed commodities and services. Actually, the term, "The welfare of 'society,'" was to a large extent identified with the welfare of the middle class, and still is. Liberalism is a doctrine promulgated by the middle class whose attachment to competition in capitalism proceeds from the fact that competition is the medium in which it exists and grows. Any talk of promoting the general welfare of society, however sincere and well meant, is, historically speaking, a bit of rationalization to justify this attachment.

It should be noted for later reference that only for a very limited amount of time, after the triumph of liberalism, if ever, did Western capitalism adhere to absolute laissez faire. For the aim of liberalism was claimed to be the social well-being of society arrived at through competition in capitalism, and when it became obvious that laissez faire was most destructive of competition it was abandoned for intervention. Even "Adam Smith did not object to the interference of the

state with certain economic forces . . .," says Eli Ginzberg in his *House of Adam Smith*.

The old restrictions of mercantilism had not formally been withdrawn before a new process of regulation began. There were primarily two causes for this. The first was the appearance of dirty factory cities in which the mill hands lived like animals. The liberal theoreticians pressed by the Tories who had a long "landlord" tradition of taking care of their help, felt that a policy of mitigating this condition would conform to their aim of promoting society's welfare and at the same time not conflict with their primary aim of promoting the middle class's welfare. The British Parliament initiated an increasing number of industrial laws which regulated the relations of employers and employees. The second and most important cause of the breakdown of laissez faire was the discovery that that doctrine encouraged the growth of those obstructions against which the liberals had so recently battled. They discovered what has since become an obvious economic fact—that competition negates competition. Without governmental restraint large industries arose, driving the small entrepreneur out of business, forming combinations that monopolized certain fields until it seemed that competition, the mainspring of capitalism, was being choked to death. Since then we have witnessed an increasing number of laws designed to offset this tendency. Capitalist society, save where large industry is wholly in control, has almost universally set itself to the task of nullifying what seems to be an inevitable tendency of the capitalist system.

It is undeniable that liberalism has retraced its steps since the day of Adam Smith. But is the abandonment of laissez faire a change in the aims of liberalism or merely a change in the

means by which the liberals hope to attain those aims? The historian of English liberalism, W. Lyon Blease, denies that it is a change in the objectives of liberalism. He says, "Paradoxical as it may appear to say that a positive policy of constant interference is the same as a negative policy of constant abstention, it is true that the mental habit at the back of one is identical with that at the other. Both aim at emancipating the individual from the things which prevent him from developing his natural capacities. The Manchester School saw only the fetters which directly impede him. The modern liberal sees also the want of the positive aids without which he is only half free."

The automatic adjustments visualized by the laissez faire economists had failed to materialize, and liberalism swung back again to intervention, still intent on securing its theoretical aim—a competitive capitalism responsive to the social needs of the people. The intervention of the state was designed in the hope that it could check the growth of large corporate organizations that were stifling initiative and incentive in capitalism, and incidentally the small entrepreneur.

This attitude has persisted to the present day. In 1909, Hobson in the *Crisis of Liberalism* stated a point of view that was even then synonymous with liberalism: ". . . Wherever obstructions to economic liberty are found, the state must exert its powers, either to restore free competition, or, where that is impracticable or unwise, to substitute a public monopoly in which all share . . . the profits of which pass to a favored few.

"The new liberalism has absorbed this teaching and is preparing to put it into practice. These legal or economic privileges, which impede or cancel competition are also recognized to be responsible for the degrading toil

and poverty of the lower strata of our population and the equally degrading idleness and luxury of the upper strata, the two counterparts of the same economic facts."

When fascism arose, it also formulated its program in terms of middle class needs and objectives. The Germany of 1933 and the Italy of 1922 were witnessing an aggravation in the plight of the middle class. This study is concerned with the theoretical appeal that fascism made to this class. It does not discuss how sincere these promises were. Nor does it by any means intend to say much about the fulfillment of this appeal. That is material for a much lengthier study. Still it is important that fascism's appeal be understood. That it is, in program at least, an address to the needs of the middle class is hardly disputable. Students all the way from J. S. Barnes and Gottfried Feder on the Right, T. V. Smith in the Center, to John Strachey and Lewis Corey on the Left agree on this.

In both Italy and Germany the conditions of competitive capitalism, a medium in which the middle class flourishes, were disappearing. In Italy, the primary causes were the spread of militant labor organizations, the growth of consumer's coöperatives, the deliberate fostering by the state for war purposes of large scale industry and monopolistic practices, the dumping of war goods, and the land and factory seizures of 1920. Fascism appeared in order to save capitalism from a class-conscious proletariat, secondarily, to destroy monopoly as far as possible, and to remove other checks imposed on competition during the war. Socialism was for a time an actual threat there, but the depressing grip of monopolistic business was not quite the menace that it was in Germany, for Italy had a peculiarly underdeveloped economy. She was, in the

main, necessarily doomed to be a small scale producer for she lacks important natural resources—iron, coal, petroleum, and cotton.

Petty shopkeepers in post-war Italy had seen their stores commandeered by the socialist chambers, councils, and leagues, and their businesses threatened with extinction by municipalized or coöperative agencies. The small bourgeoisie, the whole non-proletarian consuming class, resented the high wages of artisans set by war conditions or by strike and boycott.

In agriculture the situation was somewhat different. Because of the unsuitability of Italy for large scale industrial economy, her main industry was agriculture. In this case the restoration of competition and initiative meant, not only the destruction of the socialist agrarian leagues and the restitution of land they had seized, but also necessitated a program of *spezamento*—subdivision of large estates.

But in all cases the appeal was primarily on the basis of the recreation of a competitive economy, a type favorable to the middle class. To do this, expropriation by the socialists through high wages and consumer's coöperatives was stopped, and conversely, promises were made that large estates would be subdivided into small units. Major J. S. Barnes, head of the Fascist Institute of International Studies at Lausanne states: "Fascism sets out to do all it can to defend and encourage the institution of private property, especially in the form of small ownership. . . . In Italy the number of such small owners or part owners still forms a very large proportion of the population; small agricultural proprietors or half-share farmers, small shopkeepers owning their own shops, small independent business men of all kinds, artisans owning their own tools. This is the class which fascism honors most. . . ."

In Germany the middle class faced a somewhat similar situation. Here, however, big business was not the exception but the rule, and though labor was less militant, its demands for good wages and good working conditions, backed by excellent trade-union organization and state encouragement and recognition, were a threat to the middle class. This group derived its margin of profit from an ability to pay its labor poorly and "sweat" it in ill-adapted workshops, and not from an ability to organize production economically, and scientifically.

The peasantry also has its complaint. Its annual tax burden had been doubled since 1914. In 1932 there had been a considerable decrease in the price of meat, dairy and poultry products. A tariff on wheat worked mainly for the benefit of the large estates, for the small farmer rarely produced grain. The small farmers also wished a tariff on their products, but the industrialists, who desired low tariffs to facilitate foreign trade, lower the cost of living, and reduce wages, had been reluctant enough about yielding to the Junker demand for the wheat tariff and were absolutely adamant against yielding to the small farmers. To aggravate this the government had been subsidizing the large Junker estates through the *Osthilfe* instead of subdividing the land among the peasantry.

In addition to their grievances against a well-organized proletariat, whose wage demands left them practically unable to compete with a better organized industry and whose coöperatives did a business of a billion marks each year, the middle class reacted violently against large scale industry. In no country of the world had cartellization been carried out to such an extent. In 1932 there were 3000 of these industrial structures.

Unquestionably German capitalism



was not characterized by unlimited free competition between unorganized small entrepreneurs. And as in Italy the mass basis of fascism was the middle class. Frederick L. Schuman, one of the more careful historians of German fascism, said: "Nazi appeals were addressed from the beginning to a *Kleinerburgertum* filled with resentment against capital and labor, the upper and nether mill stones of an economic system which seemed to be grinding the German 'forgotten man' into the dust. This resentment found voice in attacks upon 'capitalism' and upon 'Marxism,' for the petty bourgeois felt himself being dragged almost unwillingly to the social level of the proletariat through the pressure of corporate industry and finance. Trusts and trade unions were both assailed as iniquitous and unpatriotic."

The fascists claim that their doctrine is antithetical to liberalism, but this claim is untenable. In the doctrinaire sense, both fascism and liberalism aim at a restoration of competition in industry; both assail the development of large corporate structures that are negating competitive capitalism; and both arose out of the middle class which sought a restoration of the conditions favorable to small enterprise.

Fascism is merely reiterating the stand of liberalism when it calls for state intervention to break up and prevent the formation of large scale industry and restore initiative and incentive to capitalism. J. A. Hobson in 1909 called for a People's Charter "... to tax or control a new form of monopoly or inequality. . . . It [the Charter] aims primarily *not* [Hobson's italics] to abolish the competitive system. . . ." This is the desire, lately mirrored in the theory of fascism, to destroy big business and to return capitalism to the condition of small scale competitive industry.

One need not stop with Hobson if he

seeks to show liberalism's attitude toward large scale industry. "Adam Smith's reaction to the large business units of his time . . . [was] he thoroughly disliked them," says Eli Ginzberg. How near this is to the statement of Gottfried Feder, officially designated as the leading Nazi economist, when he states in his *Hitler's Official Program*: "... being a determined opponent of all the great capitalists whose aim it is to mobilize for themselves all . . . values. . . . National Socialism expressly demands the state protection of property. . . ."

Of course, there are certain industries that cannot be restored to a competitive basis: communication systems, mines, ship-yards, and so on. In such cases, fascism and liberalism have similar solutions which say that if profits cannot be spread indirectly through breaking up the industry into small units, this result may be achieved directly through nationalization or profit sharing. Says Feder: "It is of course out of the question to run mines, blast furnaces, rolling mills or shipyards on a small scale, but a hundred thousand free and independent master shoemakers are better than five monster shoe factories." Later Feder expands this, saying: ". . . We must endeavour to introduce profit sharing as far as possible in all businesses in which the profits go exclusively into the pockets of professional investors." The thirteenth and fourteenth planks of the permanent 25-point Nazi platform reinforce this point of view by stating:

"13—We demand the nationalization of all trusts.

14—We demand profit sharing in the large concerns."

And the liberal, Hobson, reiterates: ". . . Wherever obstructions to economic liberty are found, the state must exert its powers, either to restore free competition, or, when that is imprac-

ticable or unwise, to substitute a public monopoly, in which all share, for a private monopoly the profits of which pass to a favored few."

The land program of these two creeds also bears striking similarity. Feder says: "National Socialism expressly demands the state protection of property in land. . . ." And Hobson echoes: "An equal stake in the valuable uses of land, with publicly guaranteed security of tenure for those who want to work or live upon a piece of land, is now a generally accepted principle among all grades of thoughtful liberals."

The connection between fascism and liberalism is quite organic and real. Both owe their origins to one class—the petty bourgeoisie. They are merely variant expressions at different times of the need of the middle class for competitive capitalism, its medium of existence. In the final analysis, what the theory of fascism would do, is to seek the aims of liberalism. It would make the state actively intervene in industry. The aims are not different. Fascists have simply discovered what liberalism discovered scores of years ago—that the automatic adjustments envisioned by the Manchester School did not materialize. It is a long time since liberalism rejected the method of "hands-off" to insure initiative and competition in industry. It realized long ago that the state would have to make some adjustments to make capitalism more conducive to competition. In the following quotation from the work of the authoritative fascist economist, Paul Einzig, *Economic Foundations of Fascism*, he shows himself to be in actual agreement with liberal economic theory but also shows that he realizes that the state must intervene to secure the ends desired by the petty bourgeoisie, the class of liberalism and fascism: ". . . The main object of the corporate state is the planning of pro-

duction and the determination of distribution in accordance with changing requirements. Under the system of laissez faire, the factors determining production and distribution are, as a rule, allowed to take care of themselves. During periods of economic stability, stagnation, or actual progress, this system works, on the whole, to the satisfaction of mankind. It is during periods of instability—whether caused by sudden progress or sharp setbacks—that the disadvantages of laissez faire became evident. The so-called 'automatic' adjustment of production and distribution to sudden changes is a slow and painful process. A great advantage of the fascist economic system is that it *facilitates* and *accelerates* [italics mine] the process of readjustment, reducing to a minimum the 'transition periods,' and allaying to a great extent their inevitable disadvantages. In a corporate state, wages and salaries, wholesale and retail prices, and the cost of living can be adjusted more easily than in a country where the process of adjustment is left to take care of itself."

Einzig, in attacking the system of laissez faire, is tilting his lance at a straw man. Even if laissez faire were still the method of liberalism, he would be in essential agreement with the creed. For laissez faire was at best nothing but a vehicle for liberalism, to be abandoned, as it was, if it didn't serve well. Einzig states no new aims. He does not attack any of the aims of present-day liberal capitalistic society. He simply points out that more intervention is needed in order to make this system operative in the competitive sense. He deplores the fact that the automatic adjustments do not materialize and seeks to make the machine go in some other way.

A difference must be admitted between fascism and liberalism but it is the impression of the writer that it is

a difference in latitude only. While it is true that both schools believe in the same ends, as Einzig inadvertently admits, the means employed by one are harsher, a more standardized procedure, than those employed by the other. The liberals do not press as hard or as thoroughly for state intervention. But that is only a matter of degree. In more advanced liberals, like Hobson, the difference is not discernible.

Then why, one may ask, has the middle class deserted liberalism for fascism? It is true that liberalism still adheres to the mode of democracy as a means of influencing the state to its ends. However, the growth and rationalization of industry, bringing with it the development of new and powerful classes—the big bourgeoisie and the industrial proletariat—has caused a decrease in the power of the middle class in the democratic state. For example, the age of Populist, or obviously middle class parties in this country, has long passed. In many nations the middle classes have recognized this state of affairs and have adopted a creed of totalitarianism in the belief that having once gained power, they would, on the basis of this theory make the state amenable to their interests and their interests alone. It is more possible, in a Fascistic state, to work out a systematic type of intervention and to secure a competitive capitalism, than in a democratic state wherein all classes must be satisfied.

It is interesting to note that fascism at the outset went through a laissez faire stage, just as liberalism did. The situation quite resembled that in which the liberals, as a reaction against the state-fostered large industries of mercantilism, announced a program of laissez faire in the belief that the opposite means would surely secure the opposite ends—small competitive in-

dustry. After the war, during which the Italian state had encouraged the development of all sorts of large industry, fascists committed the error made by liberals almost two centuries ago. In short, the fascists came out for laissez faire. Mussolini had the same aims as when he later espoused intervention, but at this time he believed that the return of competition to industry could best be effected by a laissez faire policy. Says Signor Volpe, historian of Italian fascism: "... In his [Mussolini's] program [1921] one sees a great desire for ... freedom for producers from the weight of the paternal and interfering state of which he had had experience during the war. ..." Michael Florinsky says the same thing, but made the traditional error of reducing liberalism to laissez faire when he states in his *Fascism and National Socialism*: "At the Rome Congress [1921] the party program was duly accepted ... it ... declared itself in favor of economic liberalism on the ground that the economic activities of a nation must not be handed over to the control of bureaucratic agencies."

One of the most interesting aspects of fascism has been its attempt to deny or at least to minimize the existence of classes. In Italy the workers and their bosses meet in the corporate state. In Germany the Labor Front, substituted for the trade unions, includes not only the workers but also the employers. This attempt of fascism to ignore or suppress class feelings is also characteristic of liberalism. For example, during the last election horror-stricken editors accused Mr. Roosevelt of raising the class issue. In both liberal and fascist states it is well understood that a general acceptance of the class struggle theory leads to a death struggle between labor and capital. This results in the crushing of the middle class, and eventually in the subjugation of

one class to the other. It is of primary importance to both these types of capitalist society to minimize this concept. In this country the tendency is to ignore the idea as much as possible. In the fascist countries they feed castor oil to those who hold it too strongly, and tell the rest that there are no classes anyway—that all are working together for the common weal.

One of the fascist arguments in urging the superiority of its system, is, that the liberal subordinates the state to the individual, whereas under fascism the individual is subordinated to the state. This theory is widely held. In actuality no state has ever existed for any period of time that did not represent, or pretend convincingly that it was representing, the interests of its members. The final sanction of any form of government is that it does represent its constituent elements. Every theory of government which has ever made an appeal to the people, whether it uses the language of parliamentary democracy or not, pleads that it will be nearer to the people's desires than the system it seeks to replace. Essentially, this is the stuff of democracy, and both liberalism and fascism cannot avoid building on this principle. However much the fascists may talk about the "nothingness" of the individual, they say, as did Mussolini to Emil Ludwig: "In our state the individual is not deprived of freedom." They reaffirm what Alfredo Rocco, former fascist minister of justice, stated: "... we, too, maintain the necessity of safeguarding the conditions that make for the free development of the individual; we, too, believe that the oppression of individual personality can find no place in the modern state."

The fascist doctrine of intervention in the economic scene, however, the fascists suppose to be unusual. They point out that they regulate economic

and social life so that it coincides with the national interest. This, of course, is hardly new, as Eli Ginzberg amply demonstrates when speaking of a man who lived a century and a half ago, and who, incidentally, was supposed to be one of the fathers of the "atomistic" liberal creed. "Adam Smith, like all social philosophers except the anarchists, was more interested in the commonwealth than in the individual members of the commonwealth." Einzig states nothing liberalism could not agree to when he says: "It is only when, in the opinion of the authorities, private activity is not in accordance with national interest that they decide to intervene. This intervention may be either active or passive. If the government considers that in a certain direction individual initiative does not adequately meet requirements, it will intervene to stimulate production in that particular branch."

Liberalism also firmly believes that the state has interests which are over and above those of many of its individual elements. Otherwise it could never regulate public utilities. But it is frank enough to recognize a principle concerning which fascism is conveniently vague—that the state, in the final analysis, is the servant of its members.

There is no quarrel in theory between the states of fascism and liberalism. Citizens in a liberal state are given more latitude, it is true, than in a fascist state. A man in a fascist society who talks about overthrowing the government is shot. The liberal state waits until he does something more dangerous than that. This difference is important. But all governments have always insisted that the claims or rights to self-development of any of their constituent members must not conflict with the sovereignty of the state.

However, in actual life the fascist

and liberal states differ widely in their economic practices. This, in great part, is due to the fact that fascist leaders, in order to gain power, have sold out (in an actual sense) to big business. The lust for power, characteristic of fascist leaders, has acted seriously to emasculate their theoretical program. Sometimes, this has caused serious revolts within the parties themselves, between the element that is irrevocably bound to the program and those that have compromised—e.g., the June 30, 1934, purge of Roehm *et al.*

In theory, however, the concurrence of fascism and liberalism is not the meeting of opposites. A class again resurrects itself to fight "bigness." After bitter experience with its *laissez faire* theory, the middle class has realized that competition negates competition. It turned to intervention so that the state could make recurring invasions into the economic system and break up "bigness." Finally, the development of capitalism and the nationalization of industry have created other classes, the great capitalists and the industrial working class, with their interests as opposed to those of the middle class. Because of this, democratic procedure has proved insufficient for the attainment of middle class ends, and turns that class toward the idea of a totalitarian state in which it may order things to its own liking. From an economic point of view, fascism is reactionary—its rejection in

theory of modern technology indicates that.

However much the fascists emphasize the middle-class, anti-capitalist aspects of their program, once in power it is discreetly and firmly shelved, as Captain Ernest Roehm, for example, discovered. For, as that acute and honest observer, Gaetano Salvemini, says in *Under the Axe of Fascism*, "The intervention of the government has invariably favored big business." He quotes a correspondent of the issue of July 27, 1935, of the *London Economist*: "So far, the new corporative state only amounts to the establishment of a new and costly bureaucracy from which those industrialists who can spend the necessary amount, can obtain almost anything they want, and put into practice the worst kind of monopolistic practices at the expense of the little fellow who is squeezed out in the process."

Big business in Germany and Italy gained effective control of fascism when Hitler and Mussolini solicited gifts and borrowed money from the industrialists for organization and election purposes. Ever since, they (big business) have, to a varying degree owned and used it for their own purposes. Fascism, in their hands, seems to be a device for continuing, substantially, "business as usual." However, this point of view may be frustrated somewhat by the resurgence of the purely militaristic point of view among the fascists.

CONFIDENTIAL

July 28, 1975



To: James Cannon
From: Sam Halper

Our Puerto Rican friends are jittery. With reason.

Thursday, 7/17/75, I met with Governor Rafael Hernandez Colon (RHC) at his Ponce home for four hours of talk directly after arriving in San Juan (where Sen. Miguel Hernandez Agosto met me and drove me to Ponce). I expressed to RHC some misgivings about the overwhelming extent to which the April 12, 1975 proposals of the Puerto Rican members of the Adhoc Advisory Group won ratification of their views at the full Group meeting in Washington, July 10-12. With some negotiations still to come, the meeting, chaired by US Co-Chairman Marlow Cook (Puerto Rican Co-Chairman Luis Munoz Marin was absent), adopted in principle, and in some cases specifically, very basic Puerto Rican proposals, mainly:

1. Block grants.
2. Exceptions to be made for Puerto Rico regarding a) minimum wages and b) environmental protection.
3. Puerto Rico's right to negotiate special arrangements with foreign states in matters economic, scientific, cultural, educational, etc.
4. Puerto Rico's right to legislate a) tariffs and b) immigration restrictions.

The details for some of these have still to be worked out in the final meeting this coming Thursday through Saturday, July 31-August 2 and the proceedings may yet run into much difficulty, particularly with [REDACTED] the more far-reaching proposals [REDACTED] still pending, e.g. applicability of federal laws to Puerto Rico. Basically, the dramatic-seeming changes in status are heavily circumscribed, e.g. Puerto Rico's ability to negotiate agreement with foreign states requires the acquiescence of the DOS; Puerto Rico's restrictions on immigration would have to be mutually agreed to by Puerto Rico's Governor and the President of the U.S., and so on. The realities of the new arrangements would, so far, be less real than apparent.

Nevertheless they are seen--rightly perhaps--as opening wedges and have caused alarm among:

Statehood partisans in Puerto Rico led by ex-Gov. Luis Ferre and [REDACTED] all-but-chosen gubernatorial nominee Carlos Romero Barcelo, both of the New Progressive Party (NPP).

Americans who have been involved in the Adhoc Advisory Group hearings, e.g. Senator Bennett Johnston, a member of the US delegation and, to a much lesser extent, Rep. Don Clawson.

Some Commonwealth partisans--American and Puerto Rican--who see in the overwhelming adoption of the proposals of April 12

Determined to be an administrative marking
Cancelled per E.O. 12356, Sec. 1.3 and
Archivist's memo of March 16, 1983

By KBT NARS date 2/15/90

the possibility of setting in motion such a reaction in Congress ("How the hell do they get the right to set tariffs or restrict immigration; we from the state of X or Y or Z don't have such rights, why [redacted] they?") as total rejection of the Adhoc Group report. to invade

Even Marlow Cook, who has expedited many of these changes—to an extent that caused Gov. Hernandez Colon to express his [redacted] amazement to me—has at times reflected that the extent of the changes may prove to be counter-productive when sent up to the White House and Congress. (Parenthetically, Cook has shown some ambivalence about the product of his Group. While assisting the Puerto Ricans by pointing out the reasonableness of their requests and by skilfully riding herd on Clawson and, to a greater [redacted] extent on Sen. Johnston, at other times Lawyer Cook has privately expressed misgivings as to the [redacted] political practicality of what is being done. He has also said that he was wearied of going around about the matter; [redacted] he wanted to see it concluded. Cook's ambivalence is understandable—this and other public service is taking him away from his practice. But at the same time he obviously enjoys this work, seeking it out as a public service and to advance his own political ambitions. But reasonable or not his alternate expressions—of concern with what he is doing and of his desire to get it over with—are occasionally confusing.)

To return to the narrative, I went over much of this ground—making discreet exceptions of course—with the Governor that evening in Ponce and suggested that it might be useful to ascertain for himself, on the ground, the political feasibility of pressing further some of the proposals of April 12. I pointed out that Resident Commissioner Jaime Benitez was pressing into even more sensitive territory, e.g. Puerto Rico's proposal to rule on the applicability of federal legislation.

The Governor was plainly somewhat troubled. He saw the danger of going further and proposed instead that the Adhoc Group might agree upon far-reaching principles affecting the relations of Puerto Rico with the US without, however, moving their practical implementation at this time. Quite obviously, he wanted to satisfy his Popular Party people who seek further autonomy without, at the same time, so displeasing the administration and Congress that Puerto Rico would wind up getting nothing or damned little. Here, once more, was a confusion of reality with the appearance of reality. I told RHC that in my opinion a broad declaration of principles, however generally phrased and unimplemented at this time, might nonetheless be seized upon as an actuality by some Congressmen and Senators and vigorously rejected, endangering all the work of the Group. I suggested to the Governor a more Fabian approach. RHC talked on. He said that Phil Burton had promised to deliver the House on the Puerto



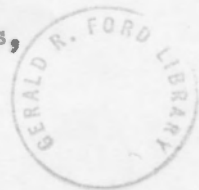
Rizán proposals and "I don't find myself in a position to contradict his judgement." But a little later: "My general knowledge makes me leery of this. However, I'm not in a position to question Don Jaime (Benitez, Resident Commissioner and strong believer in Phil Burton) on this. Burton is so confident that he can get this thing through...it is impossible for me to get a better reading than his own opinion. I could talk to Carl Albert on this but he doesn't know it and would express vague opinions."

I suggested that Rep. Burton, if he wins, was ^{but} one 1/3 of a victory. The Governor took this up: "In the Senate I'd have to get Scoop to give an honest appraisal, to focus on this— difficult to do." I made a final suggestion: "You have very fine fingertips and if I were you I would not forego use of those fingertips." He said: "Let me think on this." Forty minutes later, at dinner, he said: "I will go to Washington next week during the weekend." And so he did, arriving Sunday evening, July 27, staying at the Georgetown Inn. On Monday afternoon he phoned: he had seen Jackson, was going to see Sen. Johnston later in the day, then added: "It is a good thing that I've come." He asked when he could see you. His appointment with you is Tuesday at 5 P. M. He asked me to come by for a talk before the appointment and to accompany him to your office. If it is alright with you I'll come along.

In a three hour talk the following (Friday) evening with ex-Gov. Luis Munoz Marin, the old man indicated he would attend the final sessions but basically he was in a negative mood such as I have never seen him in. He said that he had originally suggested to the Puerto Rican members a more far-reaching set of proposals, seeing these as bargaining counters to be traded away during the negotiations but that he had been overruled by the other Puerto Rican delegates. "Now, what we propose goes far below the plebiscite mandate." Munoz was specific on some issues. Regarding the permanent commission he acknowledged the danger that it might become a closed brueaucracy, nevertheless he supported the idea.

Munoz revealed a great deal of unease. With unemployment rising insisently, investors staying away in droves from Puerto Rican factories and bonds and the inefficacy of Bootstrap daily more evident, rifts are appearing in the party he founded, the Partido Popular. Nothing succeeds like a lack of success in amplifying the differences between a country's leaders. And nothing brings on that state of querulousness, that disintegration of firm principle like the sweetish smell of decaying hopes. Munoz evidenced the decay clearly on the issue of immigration.

Once the most catholic of men, the most far-seeing of leaders,



free of cant and prejudice, today on the issue of restricting immigration into Puerto Rico—in effect barring Cubans, for that is the real point of the proposal at this moment—Luis Munoz Marin has travelled far toward xenophobia. In the old days no one had done so much to open Puerto Rico's heart to the exile Cubans. When, some months before the Bay of Pigs, I suggested he give refuge to Manolo Ray, leader of the left center exiles opposing Castro and the rightist policies of the CIA, Munoz unhesitatingly invited him to Puerto Rico and gave him a job in government housing, thereby shielding Ray from the FBI which had been hassling him. LMM did the same for all the exiles and they flourished. But two weeks ago he said he supported immigration restrictions. He went on to discuss the Cuban influence, focussing on Carlos Castaneda, editor of El Nuevo Dia, liveliest paper on the island. El Nuevo Dia has been focussing on political corruption among legislators, thus inevitably on the Populares who have been longest at the trough. The Cubans, said Munoz, had different customs and they had brought a kind of journalism and thinking to Puerto Rico that was alien to the island and was disturbing it. I was astounded.

Which brings me to another, not-unrelated matter. For some time I have been feeling that enactment of the proposals allowing Puerto Rico to regulate its own immigration and tariffs could be dangerous. This is a people with a pronounced lack of confidence, a strong, underlying sense of inferiority that, in times of crisis, would make them peculiarly susceptible to demagogy and xenophobia. Given control over immigration and tariffs I could see them react to a real or imagined national crisis not by meeting the issues but by self-righteously defending themselves against their sense of inadequacy by putting up barriers against all sorts of competition—whether from goods or people—a suicidal move for an empty land bare of resources save hungry, needy manpower.

Luis Ferre, whom I saw Saturday afternoon, July 19, and with whom I talked briefly on the phone the following day, is also querulous and jittery. (I had tried to see Ferre on my first trip to Puerto Rico in June, but he was off-island.) Ferre complained that the April 12 proposals of the Puerto Rican members of the Adhoc Advisory Group had been worked out in a separate meeting, were therefore not in accordance with the rules of the Group. The Puerto Ricans gave the impression they had the authority to do what they did, he said, but actually they lacked such authority and had created an unfair situation for the President. Said Ferre: "The President could be caught in the trap and be forced to consider a series of requests that were not those of the whole Committee. Later, when Congress refused some of these points



because they are contrary to the Constitution, it would appear like rejection of Puerto Rico." In sum, the Munoz group had acted contrary to the spirit of the Adhoc Group. So "The Americans would be put in the position of being bad boys. And the President will become a bad boy. And then Congress." On the other hand, if the Group had acted like it should have, no one would have gotten the impression that they could get whatever they wanted. "I feel we won't get anything substantive, only minor things, and it will appear as an attitude of prejudice toward [REDACTED] Puerto Rico."

As to specifics:

On the minimum wage, Ferre endorsed flexibility. "Puerto Rico should have flexibility to adjust gradually in accord with economic realities. The island should raise wages as fast as possible and should have some sort of deadline to reach US levels."

On environmental²¹ control. "Under federal law Puerto Rico already has the necessary flexibility in the field of [REDACTED] environmental protection. It has been abused here."

On Block Grants. Ferre supports these; "there is a danger of political abuse, but that is inevitable."

On the permanent Adhoc Commission. "I have no objection. [REDACTED] It's alright. It won't do a great deal of harm. It cannot go beyond constitutional limits."

On giving Puerto Rico [REDACTED] power to regulate immigration: "Unnecessary. The Cubans have made a very positive contribution. It's a political thing done for political reasons."

I made efforts to see San Juan Mayor Carlos Romero Barcelo, the putative NPP candidate for governor in 1976, but he was in transit from and [REDACTED] to the mainland and did not return my calls until he phoned me in New York Thursday evening, July 24. Romero was upset and saw pitfalls and traps all [REDACTED] through the work of the Adhoc Group. 1) He opposes immigration control for the island, saying that if the US becomes aware that Puerto Rico is asking for the right to control immigration it will raise questions about the 1.5 [REDACTED] million Puerto Ricans who go to the States for jobs or welfare. "The affected communities will ask for retaliation of some sort", i.e. they'll want to set up barriers, too, against the 1.5 million. 2. Barcelo objects, too, to a provision requested by the Puerto Rican members and approved by the whole Adhoc Group whereby decisions on some issues would be made jointly by the Governor of Puerto Rico and the President of the US. "The President would be allowing himself to be trapped. Here would be a governor dealing with the President of the Republic." 3. "Another trap would be the spelling out of [REDACTED] Puerto Rico's right to question the applicability of federal laws", a favorite of R's. Comm. Benitez. "Puerto Rico has the right to do so



anyway. Spelling it out lends itself to pitfalls because if the law is going to be interpreted, one can't be sure of the interpretation of the points involved."

4. On the proposal for Puerto Rico to regulate tariffs, "We're against."

5. As for the minimum wage proposal, the Mayor says No. "We should be fostering service industries paying higher wages and requiring less [redacted] capital."

But Romero endorses the block grants, saying: "I've been in the forefront of the fight for block grants."

He says he told Rep. Clawson that "Marlow Cook is trying to railroad this thing through because he is not getting any money for his work. [redacted]"

[redacted] I've told Clawson there's no need to rush this thing."

"This thing has more traps than it appears to have. They (the Populares) will try to push through something that Congress will reject. Hernandez Colon, unlike Munoz, is not convinced that independence is not feasible. He does not say so publicly but privately he and his friends say they would like independence. Their strategy is either to get what they want or to get such a rejection that would move them closer to independence."

I asked: "Mayor, are you going to ask for public hearings on all this?" A long pause at the other end, then "I don't know. We (the NPP) don't want to be blamed for further delay. Besides, hearings would just add validity to the proceedings." Another pause, then: "We may appeal to the UN with the Independentistas against this procedure." Are you serious, I asked. [redacted] Yes, he replied. Then he said that regarding Mr. Cannon—he will be glad to make a trip to make himself available to you.

I think you are right; there is a need for the task force on Puerto Rico that you proposed [redacted] last month.



Post
File

MEETING WITH SAM HALPER &
GOVERNOR RAFAEL HERNANDEZ-COLON
OF PUERTO RICO
Tuesday, July 29, 1975
5:00 p.m.
Mr. Cannon's Office



10-13-2
P.R.
7082-
Rm 237 EMB

Luis A. Ferré
San Juan, Puerto Rico

P - ✓
Pls call
Susan Wheeler
+ need to
hear -
Ack with
Thanks

July 10, 1975

Mr. James M. Cannon
Assistant to the President for
Domestic Affairs
Executive Office of the President
The White House Office
Washington, D. C. 20500

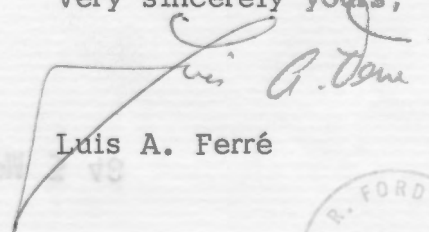
Dear Jim:

I have already sent to you under separate
cover a copy of my recent letter to Don Rumsfeld
urging him to make the President aware of the serious
situation prevailing in the proceedings of the Ad Hoc
Advisory Committee on Puerto Rico.

I have repeatedly expressed my objections to
the way one half of the committee has perverted the
proceedings into an attempt to force the other half to
submit to a series of objectionable and unilateral
demands as a means of attempting to legitimize what
the overwhelming majority of the people of Puerto Rico
have repeatedly rejected at the polls.

All of you who have a role in this matter, as
well as the President should be aware of the situation.

Very sincerely yours,


Luis A. Ferré

