paid more than $750,000,000 in taxes to the federal government and almost $470,000,000 to state and local governments. Federal power projects paid less than $5,000,000 in lieu of taxes to the state and local governments—and none to the federal government. With federal projects now producing one-eighth of our total generating capacity, the probable tax revenues lost to the federal government last year exceeded $90,000,000, and the loss to state and local governments approximated $60,000,000, a total of almost $150,000,000. These figures do not include the losses in revenues due to tax-exemption of state and local power projects and power cooperatives. Nor do they include interest charges on capital investment that are not now being fully paid by all these public projects.

Under these circumstances, it is only reasonable that the President and Congress act promptly on Mr. Hoover's proposal that all federal power projects be denationalized wherever practicable. Where their denationalization is not feasible, in view of the functions of flood-control, national defense, etc., Mr. Hoover proposes that they be leased on long-term contracts to private enterprises, or that their products be sold to private enterprises at rates which, where private competition permits, will recoup all costs properly chargeable to power production, including amortization of original investments, interest on capital, and all federal, state, and local taxes.

The electric and power companies have surpassed all other American industries in weathering the storms of two wars, spiraling inflation, deflation, high taxation, and governmental interference. Today there is no power shortage in any area served primarily by these companies. While living costs have almost doubled since 1939, the cost of electricity has steadily declined. In 1940 the average cost of electricity to the U. S. domestic consumer was 3.84 cents per kilowatt. In 1952 this average had been reduced to 2.77 cents, a decrease of 28 per cent, in spite of the fact that during this period average weekly wages to electric light and power employees had more than doubled, fuel costs had nearly doubled, and federal, state, and local taxes had increased to the point where they now take about 23 cents out of every revenue dollar paid by customers for electricity.

This remarkable record of service to the public has not resulted from federal invasion of the power business. It was largely the result of intelligent planning and increased efficiency of operation on the part of the private power companies, along with steady technological improvements in generating facilities and new uses for electricity developed by our large privately owned manufacturers of electric equipment.

During the last five years alone these companies have raised more than $7,000,000,000 in new capital. Approximately 65 per cent of this was derived from sale of bonds, 14 per cent from preferred stocks, and 21 per cent from common stocks. The bonds and preferred stocks were sold largely to institutional investors. The common stocks were sold primarily to individuals, including especially the customers of the companies in their respective areas.

The new capital requirements of the privately owned electric power and light companies for the foreseeable future are estimated at $1,500,000,000 to $2,000,000,000 annually.

Can Private Industry Take Over?

Private companies can, without doubt, raise over the next few years all the capital necessary to their own expansion, as well as the several billions needed for purchase of that portion of the government's power facilities that can be sold.

In the first place, it must be remembered that additional national savings will not be required. If proceeds received by the government from sales of power projects are used for retirement of government debt, there need be no net increase in the volume of the people's savings. A substantial portion of the government's facilities might be leased by, rather than sold to, private industry. If the private power companies were to finance 75 per cent of the purchase price of the government's present power properties by sale of their bonds and preferred stocks, institutional investors could readily absorb the billions involved, especially if their holding of government bonds was reduced simultaneously.

The power companies were able to raise approximately $450,000,000 from sale of common stocks during the past year. It does not seem unreasonable to expect that individuals, investment companies, and other investors could absorb double this amount each year—and especially with the new investor confidence that would be generated by government withdrawal from the power field. Barring various unforeseeable contingencies, it should be possible to have the federal government withdraw completely from the power field just as rapidly as necessary legislation and contractual negotiations would permit. In the meantime, all plans for government-owned, single-purpose power plants should be abandoned. Private industry will build these plants if they are economically justified. All unexpended appropriations for multi-purpose projects should be withheld, wherever practicable, and no new projects started, unless provision is made for distribution of their power by privately owned taxpaying corporations, with no preferences to cooperatives or other non-taxpaying entities.

There are five basic reasons why the federal government should get out of the power business. They are as follows:

1. To reduce its debt;
2. To reduce its expenditures, including payroll;
3. To provide a new source of tax revenues to aid in balancing federal, state, and local budgets and reducing tax rates;
4. To give consumers the benefit of the more efficient and lower cost service which the record here and abroad clearly shows private management invariably provides;
5. To reverse the trend toward socialism and big government in business which, if continued on the scale contemplated, will lead to socialization of other fields and, finally, to national bankruptcy and the Welfare State.

Our Diplomacy Strangled "Operation Strangle"

By ROBERT DONLEVIN

The highly advertised U. S. Air Force plan, "Operation Strangle," was launched in Korea on August 18, 1951. Its general purpose was to isolate the enemy's front lines from supply centers in the rear. But its results provide a footnote to General James A. Van Fleet's recent description in his *Life* articles of our pussyfooting diplomacy in Korea.

In the spring of 1951 General Van Fleet's vastly outnumbered forces had smashed two major enemy offensives. The brilliant former commander of our Eighth Army has pointed out: "Though we could readily have followed up our successes and defeated the enemy, that was not the intention in Washington; our State Department had already let the Reds know that we were willing to settle on the 38th parallel."

A barrage of criticism greeted Operation Strangle. Foot-slogging ground troops were disturbed by the idea that the plan would divert combat aircraft from tactical support of their operations to strategic rear-area targets of allegedly dubious value. Other opponents of the plan asserted that the Air Force could not have much effect on the primitive means of transportation used by the enemy in this stage of the campaign.

Nevertheless, Air Force spokesmen repeatedly insisted that the operation was paying off. In a dispatch from Tokyo on December 26, 1951, Lieutenant General Otto Weyland, commanding general of the Far East Air Force, gave notice that Operation Strangle would be continued at top priority and not ended after ninety days as had originally been intended. He characterized it as a "remarkable air campaign" that had shattered rail transportation in North Korea and caused the destruction of, or damage to, 40,000 Communist trucks, preventing the enemy from building up for an offensive.

Brigadier General Dudley Hale, vice-commander of the Fifth Air Force in Korea at the time, was not so optimistic. In an unreported speech I heard him make recently in Paris, he described "Operation Strangle" as a misnomer. "The operation," he said, "was supposed to be patterned after a similar operation used in Italy in World War Two with considerable success. The object of a strangle operation is to cut the supply lines feeding the enemy's fighting troops, but for the operation to succeed the enemy must be forced to use those lines to the maximum.

"In other words, it is not simply an air operation, as the public had been led to believe, but an air-ground operation which, to succeed, should catch the enemy in a pincers made up of the two participating arms. To defend himself against the coordinated ground offensive the enemy is forced to draw deep breaths on his supply lines which are simultaneously pounded mercilessly from the air. If there is no coordinating ground offensive, and the front is quiet, the enemy can husband his supplies. The trickle that comes through on the backs of coolies is sufficient to keep him going and even to build up a stockpile. No pincer action is possible because one of the jaws of the pincers is missing."

Doomed to Failure

This was precisely the situation in Operation Strangle. What was lacking in Korea was a coordinated ground offensive. General Van Fleet wrote:

"Instead of getting directives for offensive action, we found our activities more and more proscribed as time went on. Even in the matter of straightening out our lines for greater protection, or capturing hills where the Reds were looking down our throats, we were limited by orders from the Far East Command in Japan, presumably acting on directives from Washington. First we were permitted to use a single division, then the number of troops was lowered until about all we could take was patrol action."

Operation Strangle, by the testimony of both generals, was doomed to failure from the start. Even this half-baked substitute for a full-fledged policy commensurate with our military strength and our aims for an independent, united Korea was hamstrung by weak-kneed diplomacy.

Today at Panmunjom we are reaping the whirlwind. Agreement has now been reached on the prisoner-of-war issue, with at least some assurance that the 48,500 Chinese and North Korean prisoners who rejected Communism will not be sent back to death and torture. But North and South Korea are to remain divided; worse, there is no guarantee that Chinese Communist troops will be required to withdraw from North Korea. So we have settled nothing; Operation Strangle is but a typical instance of our general, shameful failure in strategy and diplomacy.