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## **SOCIALISM IN SASKATCHEWAN**

THE HONORABLE W. ROSS THATCHER, Premier of Saskatchewan

SASKATCHEWAN, with a population of slightly under one million people, for 20 years from 1944 to 1964 had a socialist government—about the only one in North America, except Castro's. Two years ago, we defeated that government.

Saskatchewan is primarily agricultural. We have many well-to-do and efficient farmers. We have one of the higher standards of living in the world. The questions frequently are asked: "How did socialism take over? How did it last for 20 years?"

To find an answer, one must go back to the dark days of the depression. In the 1930's a terrible drought struck. Year after year, crop failure followed crop failure. At the same time, the world price of wheat dropped to less than 35 cents per bushel. These two factors brought our prairie economy to its knees. Unemployment was everywhere. Men lost their dignity and their self-respect.

Of course, the government and the economic system of the day were blamed. Out of the depths of the depression, the Socialist Party, which glibly promised to solve these terrible problems, was born.

Photograph: Aerial view of Riceton. National Film Board.

Among other things, the socialists proposed:

1. To end unemployment;
2. To provide jobs by building socialist factories;
3. To provide free medical and health services;
4. To give a new deal to the farmer.

Thus, as a protest to depression conditions, in 1944 Saskatchewan elected a socialist government.

For 20 long years, our people were subjected to a leather-lunged propaganda machine, paid for from public funds, which filled the air with plausible platitudes and clichés. You have heard some of them —

“Tax the rich to help the poor”;

“The capitalist is an exploiter of the masses”;

“Only a planned economy is the answer to unemployment”;

and so on.

They had all the answers.

### **How Did They Succeed?**

In 1944, the socialists said they would solve the unemployment problem by building government factories. Not only this, they promised to use the profits from these socialist enterprises to build highways, schools, hospitals, and to finance better social welfare measures generally. Over the years they set up 22 so-called Crown

Corporations. By the time we had taken over the government, 24 months ago, 12 of the Crown Corporations had gone bankrupt or been disposed of. Others were kept operating by repeated and substantial government grants. Virtually without exception, those which have had to compete with private enterprise on equal terms lost huge sums of money regularly and consistently. The whole Crown Corporation program became bogged down in a morass of bungling, red tape, and inefficiencies. The experiment cost the taxpayers of Saskatchewan millions of dollars.

### **War on Business**

During the whole period, the socialists waged war against private business. They passed legislation giving the government power to expropriate and operate any industry or business in the province. The making of profits was condemned as an unforgivable sin. The public and avowed objective of the socialist government was to “eradicate capitalism.”

What was the result?

Investors from Eastern Canada, from Europe, from the States, simply turned their back on the socialists. Industry after industry looked over sites in our province, only to by-pass Saskatchewan and locate elsewhere in Canada. Dozens

of oil companies pulled up stakes lock, stock, and barrel and moved out of the province because of discriminatory legislation. Gas exploration ground to a complete halt. Prospecting in our vast north became almost nonexistent. During the period, while Canada was experiencing the greatest economic boom in her history, Saskatchewan received only a handful of new factories.

From 1945 to 1963, more than a million new industrial jobs were created across Canada. Yet in Saskatchewan, after 18 years of socialism, there were fewer jobs in manufacturing than existed in 1945 — this despite the investment of \$500 million in Crown Corporations.

### **Social Services**

As I said earlier, prior to taking office the socialists promised a greatly expanded program of social welfare measures. There was to be “free” medical care, “free” hospitalization care, “free” drugs, and so on. The money to finance these projects was to come from the profits of the Crown Corporations. Of course, in the overall picture, there were no profits; rather, there were colossal losses. Thus, the welfare program had to be financed from taxation.

Most people in Saskatchewan like the principle of our hospitali-

zation plan — all hospital bills are paid by the government, from tax revenue. However, in 16 years, costs have gone from \$7½ million to \$57 million. Three years ago, a medical care scheme was introduced — under which all medical bills are paid. The same pattern of skyrocketing costs is evident also in this field. Our people have found that medicare and hospitalization are anything but “free.” On the contrary, they will cost our people \$110 million this year — and are still rising 10 per cent annually.

### **Taxes**

Under the socialist government, our provincial debt went from \$150 million to \$600 million. During the period more than 600 completely new taxes were introduced; 650 other taxes were increased. “Per capita” taxes in Saskatchewan were soon substantially out of line with our sister provinces — one more reason why industry located elsewhere.

### **Compulsion**

Throughout their regime, the socialists tended to use compulsion. Repeatedly, their boards and agencies were manned by some social theorists, who told businessmen how their businesses should be run. Everyone in the north was forced by law to sell his timber to the government-monopolized tim-

ber board, every trapper, his fur through the government fur marketing board. Every fisherman who caught a fish was forced by law to sell it through the government fish board. Every purchaser of an automobile license was forced to take his insurance from the Government Insurance Company. Two years ago, they introduced a medical plan where every doctor would have been forced to receive his remuneration from the government. Only an aroused public opinion forced them to withdraw this contentious legislation. Drivers of government cars and trucks were instructed to buy their gasoline from Co-ops.

### **Population**

Twenty years ago, the socialists promised to make Saskatchewan a Mecca for the working man. Instead, we saw the greatest mass exodus of people out of an area since Moses led the Jews out of Egypt more than 3,000 years ago. Each of the other nine provinces which had a "private enterprise" government increased in population by leaps and bounds after 1945. On the other hand, Saskatchewan virtually stood still. Her population increased 12 per cent while the nation's increased 60 per cent. Since the war, 270,000 of our citizens left Saskatchewan to find employment elsewhere.

### **Socialist Defeat**

Finally, two years ago, our people decided they had been the Canadian guinea pig for socialism long enough. They threw the socialists out. The Saskatchewan Liberal Party campaigned on a straight program of private enterprise. We made no extravagant social welfare promises. Instead, we committed ourselves to reduced government spending, reduced taxes, incentive programs for industry, and so on. The people gave us the job of cleaning up the mess.

### **Lesson**

Is there a lesson to be learned from Saskatchewan's experiences? I think there is — a rather horrible lesson.

If there are any Americans who think that socialism is the answer, I wish they would come to Saskatchewan and study what has happened to our province. Twenty years of socialism gave us industrial stagnation, retarded development, oppressive taxation, major depopulation.

At this moment, you are doubtless saying to yourself, "It can't happen here." Yet, people all over the world are finding, "It can."

We know, as you do, that the private enterprise system is not perfect — but it is still the best system devised for progress. Under the system, Americans and

Canadians have enjoyed the highest living standards in the world. It is our task to prove in the next few years that the private enterprise system can do more for our people than socialism.

I would like to tell you some of the actions we have taken to get Saskatchewan moving again economically.

#### **Timber Board Monopoly Ended, Private Interests at Work**

One-third of the land in Saskatchewan is covered by timber. We are told there is sufficient lumber for three or four major pulp mills. During the socialist regime, the government had assumed a complete monopoly in the production of lumber. Producers could not sell a toothpick unless it went through the Timber Board. The new administration has discontinued this monopoly. We are encouraging private enterprise to come into our timber limits. We are providing incentives for them to do so. Already three lumber complexes have moved into our north — employing an average of 250 men each. Four months ago, we persuaded a New York company to invest \$65 million in a huge pulp mill, which will employ, when in operation, 3,500 men. We are hopeful that a second mill may also locate in our province within a year.

#### **Minerals**

The northern half of Saskatchewan lies in the Pre-Cambrian Shield. When we assumed office, we were concerned by the almost complete lack of new mineral development in our north. By 1964 prospecting in Saskatchewan had almost come to a halt. We found that royalty rates sometimes were out of line with rates applied elsewhere in Canada. We called representatives of the mining industry and discussed the problem with them. From those discussions emerged a new formula for mining incentives. Already, we are seeing results. Prospecting activity throughout the whole north has gone ahead spectacularly. Fifty new companies are doing exploration work in northern Saskatchewan at this time. Three new mines have commenced operations, including a major copper mine at Lac La Ronge.

#### **Potash**

Potash is a field which offers tremendous prospects for future development. We believe that potash will do for Saskatchewan what oil has done for the province of Alberta. World demand is increasing at a rate that doubles every 10 years. The overwhelming bulk of this demand will be met by Saskatchewan in the years ahead. At the present time, three potash

mills are in production. Six additional mills are now under construction. We are negotiating with at least four other potash producers, which are now seriously looking at the potential of Saskatchewan's reserves. Investment and commitments now total more than \$500 million. When it is realized that each of these mines costs from \$50 to \$80 million and employs from 500 to 800 people, you can realize the impetus the industry is giving Saskatchewan.

### **Oil**

Saskatchewan, in 1964, produced 20 per cent of the total Canadian petroleum demand. Rightly, or wrongly, many of the oil people felt that Saskatchewan had not been friendly to the oil industry. We found keen resentment at some of Saskatchewan's rules and regulations. Upon taking office, we found that drilling activity in Saskatchewan was just holding its own with the previous year, and was lagging far behind Alberta's. No new fields had been found for a number of years.

We immediately sought the advice of the industry as to how the situation could be improved. We asked them what we could do to encourage greater development in Saskatchewan. Having received the advice, the government adopted a new major incentive program.

The results have been spectacular. Dozens and dozens and dozens of new companies have moved in. Eight new pools were discovered during 1965. Our royalties and bonus bids in the past year reached \$40 million as compared to \$18 million in the last year of socialist administration. Our opponents have accused us of selling out our resources to big business. But, the oil resources of Saskatchewan are not much use to our people when they are buried a mile underground.

### **Gas**

Saskatchewan is blessed with substantial gas fields. Under the previous government, the Saskatchewan Power Corporation was given a complete monopoly, and paid the producer a price which was substantially below market value. As a result, gas exploration last year came virtually to a halt. The new administration canceled the Power Corporation monopoly and opened the gas industry to competition. Again, the results have been most gratifying. Dozens of gas exploration crews have moved into our province in recent months.

Secondary manufacturing has also made encouraging strides, since the socialists left office. These are only a few of the exciting developments which have

taken place recently in Saskatchewan. Instead of exporting thousands of our people, as we did year after year under the socialists, this year our population is again headed upward. Our province is one of the booming areas in all Canada.

In short, we think our "experiment in private enterprise" is working.

In our province, we know socialism not from textbooks but from hard, bitter experience. We have found that there is nothing wrong with socialism, except that it doesn't work. I am sure you have heard some people say: "We don't agree with socialism — we wouldn't support it generally — but a little

bit of socialism might be all right." We found in Saskatchewan that once it begins to develop, it is pretty hard to stop.

I think we can all be proud of the private enterprise system. But, I also think we must be vigilant. The danger from socialists, far too frequently, is not what they can do directly, but what they can accomplish indirectly.

Far too often we find political parties which pay lip service to the principles of private enterprise but at the same time, for the sake of political expediency, endeavor to neutralize the socialists by adopting large segments of their programs. Such a course can only be disastrous. ◆

## DON'T PAMPER THE ROOKIES

JOHN C. SPARKS

THE PERENNIAL COMPLAINT among many of the current younger generation is that adults do not understand them. Perhaps it is really a counter-complaint stemming from criticism by a few of their elders that the younger generation is "going to the dogs."

Whether their complaints are well-founded or not, an erroneous attitude can develop among the youth that could be detrimental to their progress. And this erroneous attitude can be fed and fostered

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Mr. Sparks is an executive of an Ohio manufacturing company.



by oversolicitous adults who attempt to bring about understanding by too much listening and too little teaching. This part of the problem is of concern to me, but not the attempts of youngsters to win understanding from adults by an airing of "grievances."

Imagine the reaction by the veteran major league ballplayers if the season's crop of rookies were to file complaints that they, the rookies, are being misunderstood by the old pros! Or the new tenderfoot Boy Scouts complaining that the first-class scouts do not understand them! Or college freshmen lamenting their "unfair" status before the college board of trustees!

All have this common characteristic: They are the "Johnnies-come-lately." They are "green" in the presence of those who traveled the same road some years before and "learned the ropes" through experience. So it is with the budding adults of the younger generation, just beginning to discover their physical emergence into manhood and womanhood. Their chronological age proclaims this amazing change. There is a headiness about becoming one's own boss as parents gradually relinquish the reins. Only a year or two earlier, father and mother had made almost all the decisions, or at least exercised veto power. Now — a

short time later — circumstances have changed. The youth is away from home — attending college or learning on a new job. Without that familiar parental supervision, it is not surprising that he should make some mistakes and commit some embarrassing blunders in his decisions as a tenderfoot in an adult world. And will adults then illogically show excessive sympathy for the whimperings of the inexperienced? Thus, to aid and abet any young adult's prolongation of childhood would be a sad disservice to him.

A young person has to earn the right to be called an adult. He alone can earn such recognition for himself, by acting grown-up in situations calling for self-responsibility and self-reliance. This may be easier to say than to achieve. Deep and abiding self-responsibility does not come from merely wishing it. It can only be gained by learning and building, surely and steadily, on a firm foundation of moral values and principles.

It is here that elders have the responsibility to teach, rather than listen to trivia. As adults, our duty is to usher into the world a younger generation prepared to behave as responsible adults — not irresponsible children. Reasonable patience, yes. But don't pamper the rookies as they reach for maturity!



# RIGHT PREMISE— WRONG CONCLUSION

LAWRENCE FERTIG

“A DEPRESSION will undoubtedly take place beginning in 1967,” declared the speaker, a staunch libertarian who has ably defended the freedom philosophy in public forums. “This is *it*,” he asserted. “This nation has engaged in an inflationary spree and now we must pay the piper. A crushing liquidation of debt will take place — a depression.”

I had known this distinguished gentleman for several decades. He had made similar statements on many occasions during the past decade. It occurred to me that a public figure could not continue to make predictions of immediate economic disaster which do not materialize — and still retain some

vestige of public confidence in his statements. This is especially true of a writer who must state his opinions each week to a large audience of newspaper or magazine readers. The record he makes cannot be erased. There it is in black and white, to be pointed at in the future. The ancients understood this problem, for it is written in the Book of Job, “Oh . . . that mine adversary had written a book”!

The premise of my friend, the speaker, is undoubtedly correct. We *have* had monetary inflation. As a result we have seen the steady upward march of prices. Inflation distorts markets, causes malinvestments, and has many other serious effects on the economy. Inflation robs millions of poor people in favor of others who are fortunate enough to protect themselves. This has been going

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Mr. Fertig, syndicated newspaper columnist on economic affairs, is author of the book, *Prosperity Through Freedom* (Regnery, 1961), available from the Foundation for Economic Education, Irvington, N. Y. \$3.95.

on in the United States for many years, in varying degree.

But although the speaker's premise (that this country has had monetary inflation) is correct, is his conclusion right? Can one logically predict the coming of a crushing depression — soon? That is the first question to be raised.

There is a second, corollary question which believers in the free-market economy must answer. If the prediction of immediate depression is wrong, precisely what is the consequence of continued inflation? For surely it cannot be maintained with any degree of consistency that inflation is bad, but that inflation has no serious consequences.

Giving a correct answer to the above question is vital to every advocate of the freedom philosophy who influences public opinion in any way. Libertarians are always subject to violent attack by modern liberals who eagerly seize upon any excuse to discredit leaders of the freedom movement. Nothing pleases them more than to point the accusing finger and say, "They are prophets of doom. Their predictions are worthless." Unfortunately, some of these accusations are made to sound plausible because there are leaders of the freedom movement who persist in making predictions which turn out to be wrong. Above all,

exponents of the freedom philosophy should not appear to have a vested interest in the coming of depression.

In my opinion it is wrong to predict a shattering, economic depression in the immediate future. First of all, forecasting the economic future is not a science. It is really an art. There are too many unknown factors for predictions of the future to be scientific — including the psychology of a hundred million adults, the expectations and actions of millions of businessmen, and political forces which cannot be gauged. So a forecast is really a guess, even though it may be the guess of an informed observer.

Many other guesses about the immediate future — instead of the coming of a depression — could have just as much validity as that of the extremely pessimistic depression forecast. As a matter of fact, if I were to hazard a guess, I would say that the chances are strongly *against* depression beginning this coming year. I shall shortly offer some facts and ideas to support this guess.

### ***Inflation Destroys Freedom***

The danger of continued inflation — and there *is* a grave danger — lies in a totally different direction. The danger is not that the price of bread, of milk, of shoes,

of clothing, and of everything else will plummet downward over a period of many years. What will go down is *not* the paper-dollar price of things. *What will go down is the freedom of the individual. Inflation as a way of life leads to the loss of freedom.*

That is the lesson of history. Inflation leads in the direction of dictatorship. It means reversion to some of the terrors of a by-gone age. It leads to the loss of the most precious possession which man has gained over the centuries — the right to choose freely and to live like a free man.

If this deduction is logical, shouldn't the defenders of the freedom philosophy concentrate on explaining the dangers of inflation in *these* terms rather than by forecasting an unpredictable depression?

### **Governmental Controls**

Evidence is abundant in the United States as well as in every other country in the world that the sure consequence of inflation is loss of freedom. A man's right to earn his living according to the rules of the free market is the most basic of all freedoms. But as soon as monetary inflation causes prices to rise, governments have a tendency to control people's lives. For instance, this is what is happening in Britain today, where

wage rises have become illegal for a period of time. To a limited extent it is happening in the United States, although here the Administration tries to enforce "guidelines," which are not spelled out in the law. They are "voluntary" — but everyone knows that they are real controls because they are backed by the coercive power of government agencies. In South America, where inflation has been rapid, wage increases are subject to strict government veto.

Control of prices asked by producers is much more effective than wage controls. Politically, price control is more appealing to any Administration than wage control because there are many more wage-earners than businessmen who vote.

Still more controls are possible, such as restrictions on travel in other countries or investment of one's savings abroad. It is even possible that the mobility of labor will be enforced by government when the effects of monetary inflation make themselves fully evident. This means that some workers might be compelled to move to other cities where labor is scarce. The government might guarantee a man a living, but it need not guarantee where he will earn that living.

It should be remembered that when a government controls a

man's living, it practically controls his life. This being so, it is plain that the danger to individual freedom is not merely a vague concept. It is a very real danger which affects the everyday life of every citizen.

### **Deficit Financing**

It is curious how the sequence of events leading to the loss of freedom through inflation is similar in practically every country in the world. First the government, through its central bank, creates conditions of easy bank credit. Also, over a period of years government spends more than it takes in, and the resulting Federal deficit is financed by creating more paper money in the banking system. This influx of new money and credit forces prices upward. Having tried to create "prosperity" by monetary inflation, and then finding that prices rise steeply, the government usually claims that it needs controls to curb the price increases which it has caused. It needs controls, it asserts, in order to curb the inflation which it created.

This has been the case in Great Britain. Monetary expansion created conditions whereby wage rates were pushed up at the rate of 9 per cent annually for several years. Prices increased 6 per cent annually. Productivity of industry

showed no increase at all. Naturally enough, British goods became less competitive in foreign markets. British consumers used their money to buy foreign goods. So Britain's exports fell, her imports increased, and she created tremendous deficits month by month in her payments to other nations.

### **Dictators Gain Power**

In South America and the Near East there has been *runaway* inflation. Prices increased in some instances as much as 90 per cent a year. Wage increases chased prices upward. Gold and foreign exchange flowed out from their central banks, as in Brazil and Argentina, to other countries of the world. A social and economic crisis loomed. The result? In each case a dictator gained power. Leaders in these countries realized that only a dictator could enforce the measures necessary after the catastrophic results of a hyper-inflationary spree.

In the United States, as I have pointed out, we also have the beginning of controls. In addition to "voluntary" wage and price controls, there are restrictions on investments of corporations abroad and the loans made by American banks abroad. Soon, it has been hinted by Washington officials, there may be more "drastic" re-

strictions. There may be a curb on individuals traveling abroad, and even tighter control on the economic activities of individuals and corporations in foreign countries.

Furthermore, Washington has hinted that it will convert voluntary into *legal* wage and price controls, to be enforced whenever officials find it necessary. All these present and potential erosions of freedom have come about as a result of inflation created by government policy.

No need to prolong the record. The evidence is clear. Controls, and possibly dictatorship, follow inflation as day follows night. This is the kernel of truth which must be stressed by libertarians.

But now to treat the point about the coming of a depression in 1967. Frankly, I do not think it is reasonable to expect this. Let us define our terms.

### **Depression Defined, and Current Prospects**

A depression, by definition, is a severe downturn in the business cycle which lasts more than two years. It would mean perhaps 10 to 15 million people unemployed, the index of production of factories and mines would fall by about a third. Commercial banks would try to become more liquid and call business and personal loans — the result being the liquidation of \$30

to \$40 billion of bank deposits. Industrial activity in the United States would slowly grind to a halt.

The very statement of the effects of a deflationary spiral would suggest that no administration could survive it, and the country would be in danger of a social upheaval. Political pressures being what they are, we can assume that the administration in power would take steps to prevent such a cataclysm if it could. It would move to stop the downward spiral and prevent the shattering experience of a deep depression providing it had any power to do so.

Note that we are not discussing here a recession that would carry business down only 5 or 10 per cent. It is ridiculous to think that any government can prevent a cyclical downturn, called a recession. Governments are always late in realizing that the peak of an expansion has been reached and that a readjustment is already taking place. We are discussing a depression — a series of recessions which feed on themselves and carry a country down to the depths.

At this juncture in history I believe the Federal government has the power to prevent economic catastrophe, even though it cannot prevent a recession. Washington possesses vast powers and techniques of manipulation of the

economy which it never had in the past. These would undoubtedly be used to the limit to prevent the nation going on the rocks.

One powerful economic weapon in the hands of the government is spending for the war in Vietnam. If war in Vietnam continues, or is expanded, it will make demands upon all the economic resources of the country. Depressions never occur in wartime among modern nations. If, on the other hand, there should be peace in Vietnam, Washington has blueprints for turning the Federal spending stream toward domestic uses. It has plans, if you will, for further inflation.

#### **Will Controls Be Used by the Government?**

The question in the minds of many is: "Can the government continue to use the weapon of inflation to prevent depression? Does it have the power to turn the depression around by monetary manipulation?" There are reasons for believing that at this particular time it can do so — *providing it is willing to use totalitarian devices to control people's actions.* This is an unhappy prospect. But it is a realistic appraisal of the situation.

It must be remembered that we no longer have an automatically functioning economy. To a great extent, especially in the monetary

field, it is a *managed* economy. As a practical matter, we are no longer on the gold standard. When we inflate our currency, gold does not automatically flow out and cause the government to reverse its course. Instead, this government, like every other in the world today, tends to employ strict controls in order to avoid the market consequences of its inflationary actions.

Such controls can be effective in papering over deficiencies for a long, long time. In many countries dictators have proved that they can buy time by monetary and market controls. Hjalmar Schacht did it for Germany under Hitler for many years. To be sure, there has to be a day of reckoning. But the point is, that day can be postponed for years.

The theory has been advanced that our government may be powerless to prevent a depression because of international pressure on the dollar. Since no modern nation wants to lose all of its gold, they say, we would be forced to *deflate*. Here again, there is little doubt that the U.S. Government would embargo the shipment of gold in addition to placing controls on the outflow of dollars. In other words, in order to prevent a depression it would, so to speak, erect a Chinese wall around the U.S. All of this would be in violation of our

stated principles and objectives, but there is little doubt that these measures would be taken.

The history of inflation is that it goes forward three steps and back one. We are now in process of retracing that one step. The fact that authorities in Washington did not wait for signs of runaway inflation, the fact that they moved (albeit slowly) toward curbing monetary expansion before prices began to rise at a steep rate — these are small pieces of evidence that the inflation can still be brought under some control. Thus, it would seem there is a good chance that the present “slowdown” — “leveling off” or “recession,” call it what you will — need not necessarily turn into a deep depression.

Whether this conclusion is correct or not remains to be seen. Actually, it is not pertinent to my main argument. The main point is that whether a depression ar-

rives now or ten years from now is unpredictable. What is predictable is that inflation undermines the moral foundations of the country because it robs some to enrich others. It undermines the economic foundations of the country, too. John Maynard Keynes said, “*Lenin is said to have declared that the best way to destroy the capitalist system was to debauch the currency. Lenin was certainly right. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which one man in a million is able to diagnose.*”

What is predictable, beyond doubt, is that inflation leads to more and more government controls and to less of the individual’s precious freedom. *This* is the nexus that must be stressed by advocates of the freedom philosophy — not the coming of a depression tomorrow or next year. ◆

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## IDEAS ON LIBERTY

### *Character*

THE SOLID FOUNDATIONS of liberty must rest upon individual character; which is also the only sure guaranty for social security and national progress. John Stuart Mill truly observes that “even despotism does not produce its worst effects so long as individuality exists under it; and whatever crushes individuality is despotism, by whatever name it be called.”

SAMUEL SMILES, *Self-Help* (1859)

# Can Food Supply Keep Pace With Population Growth?

KARL BRANDT

MANY PRACTICAL, logical, ethical, and moral arguments can legitimately be advanced in support of more responsible use of man's power of procreation through planned parenthood by voluntary individual decision. However, I reject as illegitimate and invalid the argument that the accelerating pace of population growth is overtaking the rate of growth of food production and that therefore disastrous famine of abhorrent proportions is almost inevitable unless population growth is throttled.

As I shall prove, the famine projections are neither a sound nor a

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This article is from a statement presented by Dr. Karl Brandt, Senior Research Fellow, Hoover Institution on War, Revolution, and Peace, Stanford University, at the Fiftieth Anniversary Conference on Planned Parenthood and World Population on October 18, 1966 at the Roosevelt Hotel in New York City.

Dr. Brandt was a member of the President's Council of Economic Advisers, 1958-1961, and is the author of many books and articles on economic and agricultural policy issues.

legitimate argument for population control because the world's existing agricultural capacity gives abundant leeway to produce adequate food supplies for the growing population. Therefore, using famine alarm to justify support of government action toward birth control can only weaken the initiative to promote recognition of the importance of responsible parenthood.

I also believe that even if worldwide famine were, indeed, an otherwise inescapable imminent calamity, it could not be avoided by planned parenthood because this complex cultural change in mores and modes of living does not lend itself to successful progress by a crash program but requires, on the contrary, a steady long pull.

Furthermore, by offering the false hope of quick relief of al-

legedly imminent food shortage through a planned parenthood crash program, this argument evades the real issue. All governments have the duty to adopt and administer policies which give farmers the freedom and incentive to expand food production. If governments of developing countries accept such responsibility, they will accomplish what planned parenthood cannot do.

Finally, global generalization about the extremely diverse dynamics of food supplies distorts the facts. In recent years some of the most densely populated areas of the world have increased food production beyond all expectations and against the worst odds.

The judgment that famine is unavoidable is demonstrably false — so far as the availability of all needed resources and the feasibility of their use are concerned. The Director General of the FAO, B. R. Sen, and all agricultural experts agree on this.

### **Food Potential Unlimited**

Since the end of World War II the world's technically and economically feasible food *production potential* has expanded at more than geometrical rate. This is the result of a combination of factors which Malthus, Ricardo, Justus von Liebig, Marx, Engels, Lenin, Gregor Mendel, Alfred Marshall,

Pigou, Walras, Keynes, Henry Wallace, or even Lord Orr in 1944, could not have anticipated.

In spite of disastrously false projections of the 1930's and 40's, what has ultimately expanded the growth of the world's food production capacity beyond all boundaries is the most recent emergence of overabundant sources of energy like water, wind, or tidal power, coal, lignite, petroleum, oilshale, natural gas, uranium, plutonium. Combined with diminishing costs of pipeline transportation of minerals, liquids, and gases across whole continents, this overabundance has made energy in any desired quantity available anywhere in the world — in remote agricultural regions as well as metropolitan areas — at declining costs.

Overabundance of energy has opened the gates to replace human and animal power by mechanical power — in horticulture, livestock farming, orcharding, grazing, fisheries, and forestry. The replacement of beasts of burden and draft animals sets free for food production the land needed to feed them. (One working horse consumes the food of 8 to 12 people.)

Agriculture is the world's greatest transport industry. It moves implements up to 35 times a year over every square foot of 350 million acres in the U.S. The combustion engine, particularly the Diesel

engine, made tractors, trucks, and automobiles available to farms. But the development of smaller and smaller 2-cycle engines and the availability of liquid fuel at declining costs has given small farmers motor scooters, motor tricycles, small trucks, and rototillers, multiplying the productivity of farm labor.

### **Abundance of Nitrogen**

Overabundance of energy has made the most crucial and scarcest of all plant and animal nutrients, *nitrogen*, potentially abundant everywhere in the world at declining costs. One ton of pure N mined from the air requires the energy equivalent of 4 to 5 tons of bituminous coal. Used properly as fertilizer for crops *one ton of pure N* will yield from 15 to 20 tons of grain equivalent, provided the necessary moisture is or can be made seasonally available or its excess drained off. Farmers can mine nitrogen from the air by leguminous green manure plants. Factories can mine nitrogen fertilizer wherever energy is available in any form. Such fertilizer factories are increasing in number. Where they are missing, international and national farm supply trade will bring nitrogen fertilizer to farmers at even lower prices.

*Moisture*, another crop production factor in seasonally or annu-

ally limited supply, has now also become available in many areas at declining costs by the new abundance of energy, by little 2-cycle engine-driven irrigation pumps, and aluminum sprinkler pipes. Since they are mutually interdependent, less expensive and abundant plant nutrients and irrigation water are jacking up the population-carrying potential of land. The same small pump and pipe units drain swamps and open wet land in humid climates to intensive cultivation.

While decreasing costs of nitrogen and of irrigation water make it a paying proposition to increase the yields of crops, the petrochemical industries also provide powerful means to curtail the high losses of food in the field and in storage. Highly effective weedkillers eliminate brush and a flora of voracious thieves of precious plant nutrients and moisture. Pesticides destroy predators, wild ruminants, birds, rats, mice, and other rodents, and control insect pests and bacterial or fungus diseases.

The overabundance of energy, the automation of loading and unloading of food commodities in bulk, the increased size of ocean-going vessels, the perfection of storing staples and preserving perishables have revolutionized the mobility of agricultural produc-

tion factors, as well as of agricultural products. Hence the international exchange of farm needs, such as engine fuel, fertilizer, feed, pesticides, machinery and implements, and of farm products involves less time and less cost per unit than ever before — unless governments prevent their citizens from benefiting from this.

Knowledge about the entire up-to-date technology of food production, processing, and distribution is available in any part of the world, free of charge wherever nations are willing to get and use it. Moreover, nearly all countries have within their own boundaries modern, up-to-date, large-scale agricultural enterprises which are geared to the domestic as well as the world market.

#### **Needed: Freedom to Improve**

Irrespective of its degree of literacy, the agricultural population of technically retarded countries is capable of applying better techniques wherever the market grants it freedom to improve. If new production factors become available at remunerative prices and if prices of farm products offer an incentive, farm people will increase production, provided there is a reasonable degree of security and stability of income and savings.

If famine should occur, neither

scarcity of natural or man-made resources nor the rate of population growth offer valid excuses. Even natural calamities like drought, floods, or pests do not necessarily cause famine in any properly organized society.

If famine should occur in some countries — as it well may — it will be primarily “government made” by policies similar to those that initially resulted in the starvation of 5 million people and have prevented for nearly 40 years any proper expansion of food production in Soviet Russia and have cost uncounted millions of lives in Red China. Such policies squeeze a major part of the capital for industrialization out of farm income by the wide-open scissors of high prices for all manufactured goods and low prices for farm products.

In too many agrarian countries, radical industrial protectionism exploits farmers by raising to prohibitive levels the prices of farmers' needs (including high-grade seed, fertilizer, pesticides, fuel, machinery, and spare parts) and by fixing food prices in industrial cities at the expense of the farmers for political rather than economic reasons. (The Japanese farmer buys 1 pound of nitrogen fertilizer with 1½ pounds of rice. A farmer in India who wants to buy it has to pay the outrageous price of 5 pounds of rice.) The

government's discrimination against private suppliers of production credit and the trade in farm commodities stymies farm production by bureaucratic red tape. Currency inflation caused by reckless public deficit spending creates additional insecurity and dries up investment capital for agriculture, while leaving no funds for commercial imports to close the widening food deficit.

Policies prone to contribute to "government-made famine" in many countries also include incessant propaganda for "*agrarian reform*" with neither a definition of precise measures to be taken nor a time table for the beginning and end of such "reform." The general assumption of the wealthy and the poor alike that it will amount to confiscation of property in land and farm inventories destroys confidence in any capital investment in agriculture. The threat of agrarian reform creates such insecurity that all parties concerned convert their assets into liquid form. The result is general capital flight from agriculture, which inevitably further diminishes farm production.

#### **Curbing Population May Also Interfere with Production**

Many Latin American and African countries have enormous unused land resources for food, feed,

and fibers, and their development will require more farm people. It makes no sense to generalize and say that population growth must be stopped.

The warm heart of the American people endorses enormous gifts of food to countries like India, where 83 per cent of the people — or 400 million — live as farmers or craftsmen in villages. But, most regrettably, such generosity has the detrimental effect of contributing unwittingly to the prospect of real famine there while weakening the U.S. dollar. Such gifts allow the Indian government further leeway to continue ill-advised policies which suffocate in bureaucratic red tape the initiative of their farmers, their wholesale and retail food trade, and their auxiliary farm supply trade. Those absentee bureaucracies at federal and state levels sit tight on an enormously long end of the seesaw. The order of magnitude of food deficits they continue to create is so enormous that with all charity and foreign aid we and the other industrial nations cannot possibly compensate for them.

If we really want to prevent famine, we had better use a cool head in dealing with governments that press us for food relief — and assume a hard trading stance on behalf of their majority of farm people. The American people have

a keen interest in getting valid assurances that "birth control" is applied effectively to mice, rats, birds, locusts, and a score of other pests and that they are not permitted to devour the indigenous food faster than American "Food

for Peace" can be shipped in at very high expense. Beyond that we should use our warm hearts when, by privately administered charity, we can reach the invalid, the sick, the orphans, and the hungriest among the poor. ♦

## THE CASE OF THE

# *Bulletin Board*

GORDON B. BLEIL

FAITH, like success, thrives on those real experiences which confirm and reinforce the belief. As an instructor of Economics to an evening adult class, I have constantly sought examples to confirm my faith in the free market — examples in which the students could participate. The ordinary bulletin board provided an almost perfect study of a free market contrasted with a controlled market.

Most of the supermarkets in this part of the world (California) — and I suppose almost everywhere — have bulletin boards for the convenience of their shoppers. Here, willing buyers and willing sellers meet in a unique market place. My

Mr. Bleil is a San Francisco banker, via the University of Maryland with his M.B.A. in Finance from the University of Southern California.

wife and I have sold a boat, bought a cat, rented a garage, and located domestic help in this market. Most of my students had similar experiences, and all of them admitted to habitual shopping at the bulletin board market. We concluded that the bulletin boards were interesting, convenient, and effective. None of us had ever seen an offensive word or an impropriety of any kind. The sellers were often ingenious and imaginative in attracting attention, and somehow they managed to restore their messages if they were covered over by newer ones. Mysteriously, the notices disappeared when the sales were consummated. (When I went to rent the garage, I took the notice with me!)

This seemed to me to be an ex-

ample of a really free market in operation — and I wondered how free it had to be to function. Some inquiry revealed that indeed a few of the stores required the manager's approval for posting, or dating, so that old notices could be cleaned off periodically; but, by and large, *rules* as such were casual, flexible, and devoted to some nebulous standard of propriety, imprecise as it might be. It is clear that whatever rules of conduct were imposed on the participants, they were not so onerous as to restrict the market, but were practical enough to enhance its functioning.

Shortly after I had come to appreciate this unusual bulletin board market place, the company for which I work — and for which about one-half of my students worked — installed a bulletin board at one of the entrances to our cafeteria. An ideal spot, one would conclude, as hundreds of prospects flow past the point daily. However, after several months it was still virtually unused. At the close of class one evening, I asked the students to figure out — as homework — and report why the company bulletin board had not succeeded.

The students found the answer in the *Official Rules of the Bulletin Board*, conspicuously posted and appropriately signed by “an

authority.” “This bulletin board,” it said, “is for your convenience. All notices will be submitted to Department X for approval.” Special cards had been printed and Department X prepared all entries so they would be “uniform” and “proper.”

Benevolent control of the market place had imposed so much authority on it that it ceased to function. It lost its appeal as a free market and was not able to attract willing sellers and willing buyers.

The class had made an important discovery. The Controller of the Bulletin Board was apparently less successful in discerning the reason for the failure of his market place, for a few weeks later another bulletin board was installed at the other entrance to the cafeteria. It, too, carries the “Rules” — and has been no more successful than the first.

I have wondered about the width of the line that divides an absolutely free market place without any rules from the point where the market essentially ceases to function. When does control become stifling? The answer, of course, does not exist. But when I see a bulletin board, I am reminded of the hazards of control, however well-intended they might be. My faith remains with the free market. ♦

# CONTROLLING

# HCL

W. A. PATON

No, this piece doesn't deal with the High Cost of Living, at least not directly. I am concerned here with a less familiar and important HCl, hydrochloric acid.

A few months ago, while doing a bit of traveling, I developed a troublesome canker — “a corroding and sloughing ulcer,” often called “canker of the mouth.” This is a difficulty that has bothered me from time to time for some seventy-five years, but I long ago learned how to deal with it effectively. The remedy: drench a compact dab of cotton with a 10 per cent solution of HCl and apply same to the canker spot, being

careful to avoid contact with other membrane areas or the teeth. One application, for a few seconds, is usually sufficient to effect a complete cure. Preferably, of course, the treatment should be applied early.

This time, not having my HCl bottle with me, I carelessly let the canker grow substantially before taking action. Finally, prodded by the soreness, I went to the drug department of a big chain store, in the capital city of an important state, and asked for an ounce of 10 per cent HCl. To my astonishment and disgust I was not allowed to make the purchase, even after seeing and talking to the chief pharmacist. The gentleman explained that I would have to present a doctor's prescription be-

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Dr. Paton is Professor Emeritus of Accounting and of Economics, University of Michigan, and is known throughout the world for his outstanding work in these fields. His current comments on American attitudes and behavior are worthy of everyone's attention.

fore he could sell me an ounce, or any other quantity, of dilute hydrochloric. He also explained that his refusal to serve me was required by *Federal regulation*, not by any local or state statute or ruling. He added that he recently had been plagued by a "government snooper" and didn't propose to take any chances — even to accommodate a white-haired and harmless-appearing out-of-stater.

Was there ever anything more ridiculous? It would be no more absurd to require a prescription in order to buy a can of shoe polish, or a container of "Soaky" for my granddaughter's bath, or any of a hundred other commonplace products of everyday use. Doubtless, some I don't know about are on the restricted list.

And what do you think I had to do to get around this senseless effort to interfere in my personal affairs, to limit my freedom of action in my own private realm? I didn't want to take time to hunt a doctor, and I had a strong urge not to knuckle under. A couple of blocks down the street I found a builders' supply store, well stocked with muriatic acid. The proprietor wanted to sell me a full carboy of the stuff but I persuaded him to let me have a much smaller amount — a pint (enough to last me for a couple of centuries). As everyone knows, "muriatic" and

hydrochloric acid are the same thing, although commercial muriatic may be somewhat less pure than the HCl of the drug stores.

Here is truly a kettle of fish! I can't buy an ounce of 10 per cent hydrochloric acid without a prescription, but I can go down the street a block or two and buy gallons of the same thing, but several times as strong, without any interference. This is — for me — a fresh example of the foolish rulings by government agencies that are increasingly encountered on every hand.

#### **More Harm than Good**

Years ago I heard Professor Ludwig von Mises, an outstanding, if not the greatest, living economist-philosopher, suggest that the Federal "Food and Drug" control program had probably done more harm than good. At the time — still under the spell of the assumption that government inspection had helped to clean up the meat business — I was inclined to question the Professor's position; but long before my HCl experience I had become sympathetic with his pessimistic view of the impact of this government activity.

For some time the Food and Drug people have been feeling their oats, becoming noticeably more tyrannical, and at least a few of us have been disturbed by this

development. Among the publicized activities that have impressed me unfavorably was the fuss made a while back when two women out my way died of botulism, including the closing for months of a West Coast cannery employing 800 people. In my state about 300 persons perished by drowning in the first nine months of 1966, and in my county alone during the same period 50 persons were killed on the highways and many hundreds injured; but no one has proposed closing our lakes and rivers to boating and swimming, and there has been no curtailment to date of motor vehicle traffic. A case of fatal food poisoning is unfortunate, but let's not lose our heads completely over a very minor disaster in the face of much more serious problems. And it might be a blessing if our regulators would leave more of the control job to the discipline of the keenly competitive production standards and marketing methods prevailing in the food and drug fields.

I understand that a mass of new requirements and rules have been drafted by Food and Drug, to go into effect at an early date; and I note that this proposed increment to the heavy burden of existing controls and interferences is viewed with alarm and actively opposed by some pharmaceutical

manufacturers and freedom-loving consumer groups. More power to them!

### ***One Interference Begins an Endless Chain of Others***

Advocates of the merits of a free-market economy have often pointed out that any interference with the intricate market mechanism and the consumers' wishes leads to other interferences, in an almost endless chain, if the initial requirement or restriction is to be made completely effective. This tendency may be illustrated by reference to the regulation that makes it unlawful for me to buy a spoonful of dilute HCl at a drug store without a doctor's prescription. Obviously, to fully implement this rule, the sale of the same product under another name should be restricted. Moreover, this step would still leave open the possibility that an especially obstinate consumer might acquire some common salt and sulphuric acid, and the necessary materials to construct a small facility for making hydrochloric acid ("spirits of salt"), for his own — and perhaps others' — use. To block such an endeavor the government must step in again with special controls which will cut off the supply of salt and sulphuric acid, both staple products, from the recalcitrant; and perhaps also institute restric-

tions which will deny him the opportunity to acquire the pans, brick, and other materials needed to construct a suitable acid-making still.

### **Invitation to Lawlessness**

Experience shows that there are two main directions in which ordinary folks are affected by having their freedom to assume responsibility and make choices curtailed or destroyed by government. One is an increased leaning toward lawlessness, a growing disrespect for all restraints, rules, and regulations imposed by the state, at all levels. In the case of the mine-run citizen inclined to be law-abiding, this rebellious attitude develops as he contemplates the verbotens and controls that have no moral significance, do not conform to his basic concepts of justice and equity, and perhaps fly in the face of what he regards as plain common sense. For example, you can scarcely expect Joe Doakes to have much sympathy for a law or ruling that makes it illegal for a farmer to grow wheat on his own land to feed his own chickens, and subjects the violator to penalties more severe, very likely, than those ordinarily applied to persons found guilty of purse snatching. (A long-standing example, world wide, is found in the tolerant view of smuggling. To many, the profes-

sional smuggler is more of a hero than a criminal, unless he indulges unnecessarily in violence and deals in wares that are highly objectionable; and apparently few of those who travel abroad feel that it is a sin to get the better of "Customs.")

Today the array of such legalized but obnoxious interventions, in virtually all lines of activity, including personal affairs, is almost unbelievably lengthy; and there is literally no possibility of behaving in such a way as to avoid all taint of being lawless. This state of affairs was repeatedly noted — and criticized — a decade ago by a retiring member of the Federal Trade Commission; and the point has increased validity now, in view of the mass of additional legislation and the growth of bureaucracy, in areas old and new, to which we have been subjected in recent years.

It is not a very long step from annoyance with laws and rules encountered which appear to trespass beyond constitutional and traditional limits to a willingness to violate the "rule of law" generally. This is especially true of persons with a relatively low threshold when it comes to urges to ignore restraints. Just as attempts by government to fix prices always bring black markets, so do inroads on inherent rights in

other areas bring resistance and loss of respect for law. Most people—to give another example—feel that they have a right to rent or sell their own land or buildings to someone of their own choosing; and when government at any level outlaws this right, many will not comply if they can find a way around the law without going to jail. Resentment regarding a particular ruling readily crystallizes into continuing antagonism, and when the institution of government finally becomes an enemy, in the individual's view, he is well on the way to habitual lawbreaking at every opportunity.

#### **Apathetic Acceptance and Learning to Live with It**

The second kind of attitude that may develop or be fortified by increasing encroachment of government power on the domain of the individual citizen is one of apathetic acquiescence, supine acceptance of a dependent status. This result of expanding government, for the long pull, is likely to be more widespread than increased rebellion and lawlessness. Even persons endowed with a dash of spunk tend to be baffled when it comes to finding ways and means of resisting the pressures of legislative and administrative requirements and restrictions imposed by a complex central government.

And the many who have a wide streak of dependence in their make-ups find it relatively easy to let Big Brother take charge.

I believe a general observation is warranted with respect to prevailing opinions as to the relative merits and disadvantages of government operation and private business. We all know, at least at the subconscious level, that when a government monopoly provides postal service, water, or any other product, the consumer is seldom if ever consulted about anything and usually gets nowhere by complaining. Hence, we learn to accept, without much criticism or challenge, the level of performance by government enterprise with which we are familiar.

We all also know, at least in the backs of our minds, that in making purchases on the competitive market our desires and complaints are usually promptly and carefully considered and often result in changes, and that if we continue to be dissatisfied with the job done by a particular producer, we can turn to one of his competitors with the assurance that we will be welcome customers. What is often lacking, however, is clear recognition of these differences. We are not always actively aware of the limitations of government service, or of the blessings afforded by a competitive market.

### **Roadblock to Progress**

On second thought, perhaps my HCl story does have a slight bearing on the High Cost of Living. If the phrase "cost of living" means anything specific from a group or community standpoint, it presumably refers to the volume or level of per-capita consumption of economic goods, including services. This volume, of course, depends on the per-capita accomplishment of those who are engaged in the production and distribution processes throughout the economic pipeline. It follows that any development that impairs or discourages efficiency in the employment of human energy, as well as in the use of available physical resources, will have an adverse influence on output and hence on consumption per person.

I submit that the massive and growing weight of government intervention, penetrating nowadays into almost every nook and cranny of our affairs, is a substantial roadblock in the way of getting worth-while things done. If the citizen decides to resist one or more interferences, he will use up a lot of time and energy studying the problem and trying to find a safe way around the roadblock. If he decides to comply, he still will consume much time and energy trying to find out just what the legal requirements are and what

procedures must be followed in the process of conforming. A combination of maximum practicable resistance plus minimum compliance will be no less burdensome.

The brunt of this ever-changing and waxing control program falls on business managements, including their lawyers, accountants, engineers, chemists, and other expert professional advisers; and at a top management meeting these days it is often necessary to devote so much time to relations with government (including tax matters) that only cursory attention can be given to the technical problems of operation.

The crucial fact is that talent, such as that required in executive and professional activities, is currently a scarce article. (Despite views to the contrary, the U.S. population includes a lot of folks with very ordinary native abilities and potential.) The acute shortage of high-grade personnel is evidenced by the intensity of the recruiting efforts on college campuses by accounting firms, business corporations, and other employers of people of managerial and professional caliber, and the starting salary scales prevailing (\$750 to \$1,000 per month) for promising graduates from the technical programs.

An important element of the demand side of this active market

for talent is of course rooted in the pressures of government interferences and controls, and if these pressures were removed or substantially abated, a host of able persons would become available for the basic tasks of innovation, improvement of methods, and general development of the economy. In other words, we are using up, frittering away, a major part of one of our important resources—talented people—in trying to live with our governmental colossus and its crews of cockalorums.

There are many other wastes in our system, and by no means all of them may be laid at government's door; but the wheel-spinning to which many of our most able people are currently committed, in trying to make headway in a

web of governmental interventions, is one of the most discouraging aspects of the "mixed" economy in which we are now living.

Almost every day I see a newspaper report of a grant by some foundation of several hundred thousand dollars to support a "research" project that strikes me as trivial or silly. I wish one of these organizations would encourage some group of capable accountants and statisticians to launch a study of the cost of governmental intervention in the economic processes, including the direct costs incurred by the government agencies so engaged as well as the costs of compliance (and resistance) incurred by private businesses. ♦

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### *Controls Affect People*

A POINT which the well-intentioned advocates of more Government "protection" for the buyers of goods and services seem to miss entirely is that controls do not affect things. Controls affect people—the very people they are intended to "help." As Government controls wax, personal freedoms wane. When the Government proposes, for example, that packaging be standardized, the result is that the controls will be on people. Business people will be deprived of much of their freedom and incentive to innovate. But more important, there will be an unwarranted diminution of free choice for all our people—the very consumers such additional regulation is intended to help. . . .

C. W. COOK, President, General Foods Corporation,  
1966 annual meeting of stockholders

## MAIL DESTRUCTION PROPOSED TO EASE CHICAGO POSTAL JAM

Titus the *Los Angeles Times* of October 15, 1966, headlined news of a proposal by a trouble shooter for the Postmaster General to destroy large amounts of third class mail to relieve a critical jam in the Chicago Post Office.

This solution had been recommended by Deputy Assistant Postmaster General for transportation, William Hartigan, head of a team sent from Washington to solve the enormous backlog problem involving 113,000 sacks of third class mail, 5,600 sacks of parcel post, and 2,600 sacks of second class mail.

Heads of postal substations in Chicago were asked to set aside outdated third class mail and telephone senders for permission to destroy it. Hartigan said no mail would be destroyed without the sender's permission. Postage refunds involved in such cases, he said, would cost less than sorting the mail.

Similar postal jams are reported in many other areas, and, at least in some cases, the delivery of first class mail has been adversely affected.

# THE NEW EC

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SOCIETY during the past few decades has come more and more under the spell of what is sometimes known as the "new economics."

This reversion to historic mercantilism tends to ignore or reject free market economics. It emphasizes government ownership and control of capital, production, prices, wages, exchange.

The only industry in the United States that is nationalized, that is, the one in which the new economics attains its fullest realization, is mail delivery.

Capital is acquired not by voluntary but by coercive and, thus, noncompetitive means: taxation.

Pricing of services is arrived at not by supply and demand but by bureaucratic determination. A sealed, personal message is "first-class"; the price by land is 5¢ per ounce and by air 8¢. The rate is the same whether the delivery is across the street or across the nation. Competition for this potentially profitable class of service is outlawed.

Some classes of mail, "library materials," for instance, will be delivered anywhere in the country

# ECONOMICS ON DISPLAY

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for as little as 1/15 of a cent per ounce. Other classes call for other rates, but generally far below cost. Beyond this is the franked and other mail that goes "free." And the clamor of the mail-order houses and other beneficiaries, through powerful Washington lobbies, always is for more service and bigger subsidies. This, of course, precludes effective competition in mail delivery.

The employees of this postal service — nearly 600,000 of them — are largely unionized, which means that wages and hours of work are fixed arbitrarily rather than by competition.

How is the new economics working in practice? The postal deficit gets larger each year, currently running about \$1 billion. The service gets worse, not better. On occasion, delivery is so long delayed that it becomes expedient to destroy the out-dated parcels.

Why is the new economics inefficient in practice? No one bureaucrat-in-charge knows any more how to deliver mail than any one person knows how to make a jet, an auto, a pencil.

The remedy? Let anyone deliver mail — without subsidy! Rely on the market as we do with the delivery of groceries, or drugs, or the human voice, or people.

If the new economics as applied to mail delivery is disturbing, wait till medicare runs its full course. What are we going to do with the "third-class" patients who will be backed up in long queues awaiting medical attention? Destroy them?

The free market, willing exchange, voluntary economy creates no such problems of artificial shortage or surplus. Supply and demand, manifested in thousands and thousands of daily choices and transactions, are always moving toward balance and equilibrium.

Monopolists — government or private — are self-serving. Competitors, on the other hand, are impelled by their own interest to serve consumers as they serve themselves. When one competitor can't handle the business, others will. Why not let mail delivery be handled by the market, as is freight? We never hear of these carriers destroying jam-ups. They deliver, not destroy. ♦



# Bureaucratic Blight

WILLIAM HENRY CHAMBERLIN

ALEXIS DE TOCQUEVILLE, brilliant French political scientist of the nineteenth century, was equally skilled in drawing lessons from the past and foreseeing the shape of the future. He is able to compress all the tragic frustration of the French Revolution, which began with cries of "Liberty" and ended with Napoleon's military despotism, in a single incisive sentence:

"The last generation in France showed how a people might organize a stupendous tyranny in the community, at the very time when they were baffling the authority of the nobles and braving the power of all kings — at once teaching the

world the way to win freedom, and the way to lose it."

And here is one of Tocqueville's visions that is turning into a nightmare before our eyes, the anticipation of the welfare state, managed by faceless bureaucrats:

"Above this race of men stands an immense and tutelary power, which takes upon itself alone to secure their gratifications and to watch over their fate. That power is absolute, minute, regular, provident, and mild. It would be like the authority of a parent, if, like that authority, its object was to prepare men for manhood; but it seeks on the contrary to keep them in perpetual childhood: it is well content that the people should rejoice, provided they think of nothing but rejoicing. For their happiness such a government will-

Mr. Chamberlin is a skilled observer and reporter of economic and political conditions at home and abroad. In addition to writing a number of books, he has lectured widely and is a contributor to *The Wall Street Journal* and numerous magazines.

ingly labors, but it chooses to be the sole agent and only arbiter of that happiness: it provides for their security, foresees and supplies their necessities, facilitates their pleasures, manages their principal concerns, directs their industry, regulates the descent of property, and subdivides their inheritances — what remains, but to spare them all the care of thinking and all the trouble of living? . . .

“The will of man is not shattered, but softened, bent, and guided: men are seldom forced by it to act, but they are constantly restrained from acting: such a power does not destroy, but it prevents existence; it does not tyrannize, but it compresses, enervates, extinguishes, and stupefies a people, till each nation is reduced to be nothing better than a flock of timid and industrious animals, of which the government is the shepherd.

“I have always thought that servitude of the regular, quiet, and gentle kind which I have just described, might be combined more easily than is commonly believed with some of the outward forms of freedom; and that it might even establish itself under the wing of the sovereignty of the people.”

This was written more than 130 years ago, but it sounds amazingly applicable to the steady supplanting of the individual by the state

bureaucrat — one of the ominous symptoms of the disease that is eating at the vitals of those societies in North America and Western Europe which have escaped the ravages of communism. This disease may properly be called bureaucratic blight.

### *Signs of Decay*

To listen to the hosannas from “liberal” circles whenever some new government appropriation takes billions of dollars out of the pockets of private taxpayers for some new state project employing thousands or tens of thousands or hundreds of thousands of government functionaries, it might be imagined that a welfare state, run by bureaucrats, was the last word in human happiness and well-being. But the lessons of history point clearly in an opposite direction. The proliferation of bureaucrats and its invariable accompaniment, much heavier tax levies on the productive part of the population, are the recognizable signs, not of a great, but of a decaying society.

Historians know that both phenomena were especially marked in the declining eras of the Roman Empire in the West and of its successor state, the Eastern or Byzantine Empire. Bureaucrats are an expensive breed, in two ways. They are maintained at public ex-

pense and they are uncommonly fertile in thinking up schemes to spend more public funds and multiply their number.

### ***Sparsely Staffed***

Not the least important factor in the successful growth and development of the American Republic was its noteworthy sparingness in staffing state agencies and in founding bureaucratic empires for the production of various kinds of red tape. The early spirit of distrust of an entrenched bureaucracy is exemplified by the provision that citizens of the city of Washington — a large proportion of whom, it was foreseen, would be government employees — should not possess the right to vote.

Or consider the contrast in the diplomatic service between the present time and the periods of the Revolutionary War and the Civil War, which certainly posed equally serious problems for American statecraft. Every embassy in a large capital now numbers its employees in the hundreds, while the builders employed by the State Department in Washington are hard pressed to add new offices for the hordes of officials who write memoranda to each other and to their opposite numbers in other branches of the government and fulfill Parkinson's Law in many ways.

But when America's independence hung in the balance and depended in considerable degree on the three United States Commissioners, Benjamin Franklin, John Adams, and John Jay, stationed in Paris, these men had no huge staffs of supposedly expert advisers to call on. For one thing, the young Republic was chronically short of sound money and was sometimes hard put to it to maintain the Commissioners themselves, to say nothing of a host of secretaries and attachés. Franklin, Adams, and Jay were obliged to practice "do-it-yourself" diplomacy. And the results, for amateurs, were surprisingly good. The American diplomats chose just the right moment, when England was prepared to make maximum concessions, to disengage themselves gently but firmly from the protective embrace of France, which was pursuing some aims not altogether compatible with American interests.

Charles Francis Adams, American Minister to Great Britain at the time of the Civil War, faced an equally severe challenge. It was of primary importance to the government in Washington to keep Britain, where upperclass sentiment was generally sympathetic with the South, from intervening in the war by granting recognition to the Confederacy. As helpers in

this very difficult assignment—which today would doubtless have engaged the services of a regiment of propagandists, publicity men, and assorted image makers—Adams had his son Henry, who gives a vivid picture of the experience in his *Education*, and one government clerk. But, measured by success, Adams passed his test admirably.

In fact, it would be difficult to name in this age, when diplomacy at home and abroad can call on the services of a small army of professional agents, any two such victories in foreign affairs as were achieved by Franklin, Adams, and Jay, on their own, in Paris and by Charles Francis Adams, pretty much on his own in London. This is a striking example of the truth that quantity and quality do not always go together.

### **The Spending Spree**

During the past two years the United States has been spending money for so-called welfare ends like the traditional sailor in port and on a binge. In the first 174 years of its existence the United States Congress voted \$5.8 billion in Federal funds for education; the sum appropriated in 1965-66 alone for this purpose was \$9.6 billion. There is a similar picture in health. The first 88 Congresses spent \$10 billion for health pur-

poses; the 89th nearly matched this figure with \$8.2 billion in direct spending and in Medicare, which reaches into the pockets of the majority of Americans with Social Security cards.

Countless billions are going down the drain of the futile anti-poverty campaign, a swampland of bureaucracy, waste, and favors to deserving politicians. The futility of all this well-advertised motion is rooted in the fact that the only reasonable prospect of eliminating or alleviating poverty (a highly relative and debatable term) is to make people willing and eager to work. This is not likely to happen under a policy of extravagant welfare payments (a positive incentive to the lazy and incompetent not to take jobs), ever rising minimum wage laws (the surest possible means of creating more unemployment, especially among younger people whose employers are required to pay more than they are economically worth), and a vast multiplication of paper projects by the enormous self-proliferating bureaucracy in Washington.

The same Chief Executive who makes a show of economy by carefully snapping off light bulbs in the White House urges a reluctant Congress to spend another \$1.2 billion for a highly expendable "cities demonstration bill," in-

spired apparently by the exploded fallacy that slums make people, instead of people making slums.

### **At Our Own Expense**

Now all these multiple billion dollars of appropriations are not and cannot be manufactured by the government out of thin air or picked off some magic tree. They are your dollars, and mine, and the fellow's who lives next door. No fallacy is older, more harmful, and more stubbornly held than the belief that a government can give its citizens something for nothing.

The squandering spree of the past two years, which has gone far to turn the United States into a bureaucrat's paradise (what the bureaucrat loves, next to delaying, frustrating, tormenting, and harassing the unfortunate citizen who must deal with him, is spending money he never earned himself) must be paid for in one of two ways. Either there must be higher levies on individual income, or this income will be steadily diminished by the inflation that is the inevitable result of a government policy of living beyond its means.

A person who is even slightly known is likely to receive an average of at least one appeal a day for funds for more or less worthy causes. Most of these go into convenient wastebaskets; for only an

individual with the legendary wealth of Croesus could keep up with the unending flow of appeals for sharecroppers, competing "civil rights" organizations, Spanish and other refugees, delinquent youth camps, birds, dogs, cats, and heaven knows what else besides. But the individual cannot, without disastrous consequences, tear up the orders to pay up taxes from Federal, state, and local authorities; nor is there any means by which he can prevent the dollar he may have saved from growing smaller and smaller, in terms of purchasing power.

There would be a tremendous gain for realism and fiscal sanity if every individual citizen could understand that every additional billion dollars of Federal expenditure comes out of his personal pocketbook. If this simple truth were understood, prodigal Administrations and prodigal congressmen would encounter a suitable reaction at the polls.

### **And Loss of Liberty**

It is not only the pocketbook of the ordinary working citizen that is injured by spendthrift welfare programs; it is something more important: his liberty. The following equation invariably works out: huge Federal spending, now taking at least one-fifth of the Gross National Product, equals

more centralization of power in Washington equals less opportunity for solving local problems at the grassroots level.

Think of the possibilities for Harold Howe II, Federal Commissioner of Education, who during the last two years has had almost ten billion dollars to play around with. This is an enormous means of leverage and pressure on local school boards and Mr. Howe has not been sparing in the use of it, especially in forcing certain so-called guidelines for integration on Southern school boards. Of these guidelines a representative Southern newspaper, the *Charleston News and Courier*, writes editorially as follows:

"From trustworthy sources we learn they go far beyond statutory law and decisions of the courts in robbing local school boards of their authority. Unless somebody puts a stop to this usurpation of authority, harm to the public school system may be irreparable. One of the sinister aspects of the guidelines, we have been told, is that the hardest pressure comes verbally — either in visits from government agents or in hard-nosed orders over the telephone — rather than in written directives."

Judging from the bitter complaints of some Southern congressmen, Mr. Howe has been inclined to act not as a Commis-

sioner of Education but as a Commissar for Integration. There is a world of difference between ruling out segregation of school pupils by race or color and trying to set artificial quotas, with busing of children, as a means of "correcting racial imbalance." The first is just, reasonable, and the law of the land; the second does not fall into any of these categories.

### **Medicare in Britain**

Wherever the palsied hand of bureaucratic blight extends, freedom withers. Take a recent illustration from Great Britain. The system of socialized medicine which has prevailed in that country for two decades has been so disadvantageous, from the standpoint of the doctors, that large numbers of the more gifted younger practitioners are emigrating to the United States, Canada, Australia, wherever the pastures seem greener. The Minister of Health in the present Labor Government, Mr. Kenneth Robinson, sounded off with a bitter reproach that conveyed at least the hint of a threat to the doctors' freedom of movement. It was very ungrateful and downright cynical, he declared, for a young doctor on whose training some \$20,000 had been spent to take off for foreign parts in search of better living conditions for himself and

his family. This is precisely the line of argument used by the communist East German authorities in defense of the erection of the Berlin Wall and its shoot-to-kill guards. Too many educated and technically trained young people had been fleeing to the West.

### **A Case History**

There is nothing like a personal experience, a case history, to show how ugly bureaucratic blight is in operation, how it can harass and torment the individual who falls within its range. I have a friend who, with his wife, is eligible by some years margin for Medicare. Although he disapproved of the principle, he and his wife applied for its benefits in March, 1966. In his innocence he imagined that, under the provisions of the law, he and his wife would merely establish their ages and receive the necessary certificates.

But he soon learned that this is not in line with the first law of bureaucracy: never to make easy and simple what can, with perverted ingenuity, be made hard and complicated. His enlightenment began when an enormous bulging envelope with the dire initials HEW (Health, Education and Welfare) arrived with huge questionnaires, filled with impertinent and irrelevant questions, for instance, about income and earn-

ings, although these have no bearing on the legal qualifications for Medicare. The questionnaires were duly filled out and dispatched to the designated address. The response was silence.

A personal visit to HEW about the end of July brought a confrontation with a female bureaucrat. With ill-concealed joy she rejected the passports which were presented as sworn evidence of the dates of birth of my friend and his wife on the ground that they were not old enough. Her advice was to ask the Board of Elections for proof that they voted in the town, although, from the standpoint of establishing age this seemed about as sensible as requiring them to whistle like canary birds. This formality was also complied with and the couple left for a trip in Europe.

On returning about the middle of September they found not the Medicare documents but three more bulging envelopes with repeat performances of the original questionnaire. At this point patience began to wear a little thin and the couple decided to wait for something more positive to happen. It didn't. About the end of September a telephone call was made to HEW and a female voice replied that two weeks would be needed for "investigation" — of an application that had been filed

more than six months earlier. Two weeks later another bulging envelope turned up, with the typed answers to some of the questions in the original questionnaire, but no certificates.

Another personal call at the office of HEW was as futile and frustrating as the first. This time it was a male bureaucrat who pointed out that whatever his predecessor, the female bureaucrat, had demanded was wrong and laid down a new set of requirements. My friend experienced a fairly serious illness during the time when male and female bureaucrats were shuffling around and taking no action on his application, and paid out of his own pocket hundreds of dollars for which Medicare was supposedly responsible. To the faceless bureaucrats, male and female, whose object evidently was to obstruct and delay, not to help, this was a matter of no concern. They couldn't care less. It was as useless to appeal to their sense of reason and compassion as to argue with a computer or an adding machine.

So, seven months, six bulky questionnaires, and two madden-

ingly futile visits to the HEW office after the application was filed, my friend is without the Medicare to which he is entitled according to the law. Maybe it stamps him as a dreadfully reactionary old fogey. But there could be some understanding for his weary exclamation:

"Oh, for the bad old days, when this kind of bureaucratic inquisition was unknown and the combined snatches at your pocketbook by Federal, state, city, and other assorted tax vultures left you enough money to pay your own medical bills."

There was a time when Americans did not put up so sheepishly with inbred official bureaucratic arrogance, obstructionism, and deliberately planned delay. There is a most relevant passage in the Declaration of Independence:

"He has erected a multitude of New Offices, and sent hither swarms of Officers to harass our people and eat out their substance."

The time for a Declaration of Independence from bureaucratic blight and its legion of accompanying evils is long overdue. ♦

#### IDEAS ON LIBERTY

### *Property Precedes Charity*

BUT if nothing is mine, then is there not only no justice, but no possibility of benevolence.



## Let's **NOT** worry about the World



VERMONT ROYSTER, editor of *The Wall Street Journal*, has recently questioned the idea that it is the mark of a good citizen "to worry about world events. . . . The world's woes number some that aren't worth worrying about at all," he opines, and even if some are "worth worrying about, worrying doesn't get you anywhere." But these are especially terrible times, many will complain, to which Royster replies: "If ours are the worst of times, so were they all," for "wars, riots, upheavals, and worrisome matters of all sorts are not new to the world. What's new is the constant dinning of them into our brains. . . . The question is not whether black doubt lies ahead," Royster concludes, "but how men at different times meet their different doubts, whether with courage and

ironic laughter or with whimpering."

Some years ago Albert Jay Nock remarked that there is "sound Christian doctrine" in the old saying: "There are two classes of things one should not worry about: the things one can help, and the things one can't help. If you can help a thing, don't worry about it; help it. If you can't help it, don't worry about it for you do no good, and only wear yourself down below par." A huge deal of nonsense is talked about "the woes of society, the sorrows of the world," said Nock, but "there is no such thing as the woes of society, and the world has no sorrows. Only individuals have woes and sorrows." Some persons "speak of being overcome by the sorrows of the world" and "borrow the world's troubles in the conviction that they are great altruists, when in fact they are only bilious and

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Mr. Thornton is a businessman in Covington, Kentucky.

would be benefited by some liver-medicine and hard work in the open air."

While not wishing to "encourage hardness of heart," continued Nock, "one must allow something . . . for a possible light touch of morbidity in one's sentiment toward human sorrows, both individual and social. It is easy to get a bit too much worked up over distresses lying in one's purview — distresses, I mean, which with the best will in the world one cannot possibly alleviate, and with which perhaps one cannot even sympathize intelligently, since one has never experienced the like oneself."

Implicit in the demand that we worry about the woes of the world is a rebuke to those who enjoy good fortune while many do not. Joseph Wood Krutch has ably explained why he does *not* believe that "anyone who finds himself fortunate is morally obliged to refuse to enjoy his good fortune because all are not equally fortunate. It might be argued," he says, "that to refuse to accept happiness if everyone is not equally happy would not be a way of securing, even ultimately, happiness for everybody, but merely a way of making sure that misery becomes universal, since even the lucky will not permit themselves to enjoy their luck. Such perver-

sity may seem a virtue to those who take certain attitudes, but it is perhaps not impertinent to point out that it has not always been so considered; that indeed, to Catholic theology it once was, and for all I know still is, a sin — the sin of melancholy which has been carefully defined as a stubborn refusal to be grateful for the good gifts of God."

The late Dean Inge was another who reminded us that in Christian doctrine melancholy — "a compound of dejection, sloth, and irritability, which makes a man feel that no good is worth doing" — is a moral fault. "St. Paul," writes the Dean, "warns the Corinthians against 'the sorrow of the world,' which 'worketh death.' The sorrow of the world is contrasted with godly sorrow, or repentance for sin." Then Inge quotes Chaucer: "This rotten sin maketh a man heavy, wrathful, and raw. Thence cometh somnolence, that is, a sluggy slumbering, which maketh a man heavy and dull in body and soul; negligence or recklessness that recketh of nothing whether he do it well or badly; and idleness, that is at the gate of all harms."

Inge recommends the advice of the Psalmist in our attitude toward things which are not in our power: "Fret not thyself else shalt thou be moved to do evil. . . . We are not responsible," he writes,

“where we have no power, and we have the divine promise that all things shall work together for good to those who love God.”

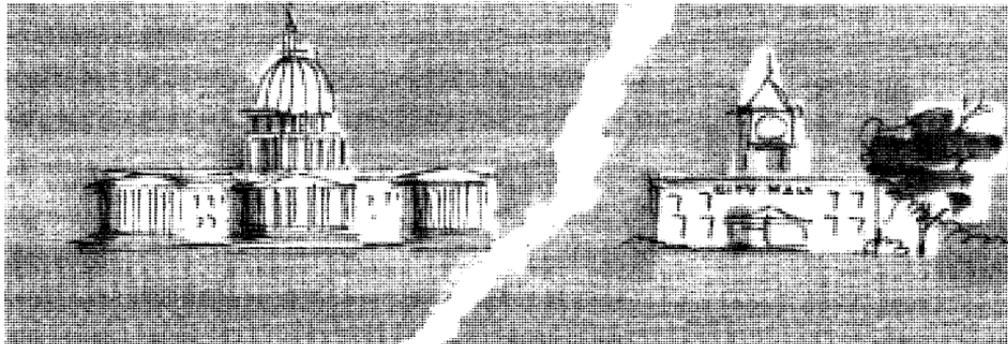
The Dean tells a good story about a British Ambassador to the Hague who was “tossing about through the night in anxiety about the condition of his country. An old servant, lying in the same room, addressed him: ‘Sir, may I

ask you a question?’ ‘Certainly,’ replied the ambassador. ‘Sir, did God govern the world well before you came into it?’ ‘Undoubtedly.’ ‘And will He rule the world well when you have gone out of it?’ ‘Undoubtedly.’ ‘Then, Sir, can you not trust Him to rule the world well while you are in it?’ The tired ambassador turned on his side and fell asleep.” ◆

IDEAS ON LIBERTY

*Progress Through Freedom*

BUT STILL, while man in freedom makes his way,  
 Some good develops oft from day to day;  
 Secures advancement in the field of strife  
 While dipping oars upon the stream of life.  
 While under ban we only see the dwarf,  
 As men seem pigmies on the distant wharf.  
 But give full scope to man's unshackled soul,  
 To think and speak and judge without control;  
 And great development of mind will rise,  
 And great achievements will the world surprise.  
 Then will the mind throughout creation soar,  
 And wonders of the universe explore;  
 Inventions make, to aid the human race  
 In things substantial and aesthetic grace.  
 Religion gains its utmost purity,  
 When its development is wholly free.



# AMERICAN FEDERALISM: HISTORY

GEORGE CHARLES ROCHE III

A NUMBER of years ago, Richard Hofstadter made the point that the differences among key American political figures have been overemphasized, thus often disguising a wide area of agreement. As American federalism has been demonstrated in action during the past 180 years, it has been shaped and modified by our political conflicts, but the real essence of our American political tradition has been revealed quite as much by the area of agreement about ends and means underlying those conflicts.

The immediate attempts at explanation and definition of our new federalism published by thinking Americans in the early years of the Republic demonstrate this consensus. *The Federalist*,

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written by Hamilton, Madison, and Jay; *Defense of the Constitutions*, *Thoughts on Government*, and *Discourses on Davila*, all written by John Adams; *Letters of Publicola*, written by John Quincy Adams; and the *Farewell Address* of Washington — all emphasize defense of minority rights against majority dictatorship. They outline an American liberty based upon historical precedent and limited government.

Yet, the seeds of dissent were also present in the early Republic, with Americans of good will on both sides of the developing arguments. One of these arguments is best seen in the controversy between the Hamiltonian and the Jeffersonian view of the new nation. Hamilton was the proponent of a new order, a rising generation of capitalism and the burgeoning

industrial revolution. Jefferson was the defender of the older agrarian order whose interests often seemed to conflict with an industrial America. The dispute between Hamilton and Jefferson is common knowledge and is extensively treated in virtually every history of our early years. What is more important, but frequently overlooked, is that Hamilton was a consistent advocate of the limitation of political power as the best safeguard of liberty, in the sense that he shared with Jefferson a distrust of excessive popular control. Our history books are often so busy telling us of the differences between Hamilton and Jefferson that they overlook the Hamiltonian fear of unchecked majorities and overlook the Jeffersonian acceptance of capitalism and the new industrial order that occurred after Jefferson became President.

Another classic quarrel of our early years also involved Jefferson. He and John Adams, both key figures in so many of the formative actions of the Republic, carried on a dialogue that embraced all facets of the new federalism. This was a bitter debate. The testy, irascible, blunt Adams wrote some letters to Jefferson that must have scorched the paper. Jefferson's response was characteristic of the sage of Monticello. He took

his revenge by understating his case and by pretending that the barbs of Adams had gone unnoticed. Jefferson described Adams in a letter to a friend as "always an honest man, sometimes a great one, but sometimes absolutely mad." At the end of a friendship and feud covering well over half a century, it is symbolic of their relationship that both men were to die on the same day in 1826. It is even more symbolic that that day should have been July Fourth.

### Checks and Balances

The system of checks and balances praised by Adams in 1789 in his *Defense of the American Constitutions* is largely an enunciation of our American political tradition. At the time of the French Revolution, Adams defended the American system and implied how different the American federalism was from the new system then developing in France:

A despotism is a government in which the three divisions of power, the legislative, executive, and judicial, are all vested in one man. . . .

How did such despotisms come about?

Helvetius and Rousseau preached to the French nation *liberty*, till they made them the most mechanical slaves; *equality* till they destroyed all

equity; *humanity* till they became weasels and African panthers; and *fraternity* till they cut one another's throats like Roman gladiators.<sup>1</sup>

The doughty New England lawyer, like the rest of the Founders of the American federalism, always strongly emphasized practical concepts, based on history, common law, and a basic distrust of self-proclaimed saviors of the world. In a letter to John Taylor of Caroline he outlined his faith in human nature as he saw it:

That all men are born to equal rights is clear. Every being has a right of his own, as moral, as sacred, as any other has. This is as indubitable as a moral government in the universe. But to teach that all men are born with equal powers and faculties, to equal influence in society, to equal property and advantages through life, is as gross a fraud, as glaring an imposition on the credulity of the people as ever practiced by . . . the self-styled philosophers of the French Revolution. For honor's sake, Mr. Taylor, for truth and virtue's sake, let American philosophers and politicians despise it.<sup>2</sup>

### ***Liberty Under Law***

If America remains a nation where property and liberty are reasonably secure, if America re-

mains a government of laws, not of men, much of the credit for the development and defense of such a system is due to John Adams, whose concept of "Liberty under Law" presupposes a system of constitutionally limited government, decentralized political power, and a deep and abiding faith in the American tradition of federalism, which in Adams' time was already approaching its two-hundredth birthday.

Adams once wrote Jefferson, "Whether you or I were right, Posterity must judge. . . ." He referred, of course, to the political differences that had developed between the Federalist party with which Adams had been associated and the Republican party of Jefferson. Here again the bitter dispute that took place in domestic American politics during the Napoleonic wars is a common subject of our history books. What is neglected is the wide area of consensus shared concerning American government even in the midst of these arguments. Adams and Jefferson both favored local government and institutions and suspected that good government often seemed to decline in exactly the same proportion as it moved further from the people being governed.

Our history books sometimes neglect to tell us that Jefferson as

<sup>1</sup> John Adams, *Letters to Jefferson*, 1817.

<sup>2</sup> John Adams, *Works*, VI, 454.

well as Adams approved a balance of power between the national and state governments, that he spoke approvingly of *The Federalist* and was sympathetic to the Constitution, even writing to Adams in praise of his *Defense of the Constitutions*. Jefferson also feared an unchecked majority rule: "An elective despotism was not the government we fought for, but one which should not only be founded on free principles, but in which the powers of government should be so divided and balanced among several bodies of magistracy, as that no one could transcend their legal limits without being effectually checked and restrained by the others."<sup>3</sup>

#### **Kentucky and Virginia Resolutions**

After the passage of the Alien and Sedition Acts by the Federalists during the difficult days of the French Revolution, Jefferson and his close friend, Madison, developed the Kentucky and Virginia Resolutions, landmarks in United States federalism and in the development of the compact theory of the Constitution. In the Kentucky Resolution Jefferson insisted that the Federal Constitution had created a limited national govern-

ment of certain definite and enumerated powers, reserving all other powers to the people and the states. In his lifetime, Jefferson repeatedly emphasized the close connection between decentralization and liberty. He placed his faith in a qualitative rather than quantitative democracy, urging that a body of informed and capable citizens, an aristocracy in the best possible sense of the word, was infinitely superior to a mere nose count that delegated all authority to some political potentate.

The American tradition of federalism was thus soundly launched. There were differences among our statesmen and thinkers: agrarian capitalism versus industrial capitalism, Southern aristocrats versus New England professional men. Yet North and South, agrarian and industrialist, aristocrat and middle class, our Founding Fathers shared an abiding distrust of excessively centralized authority and a basic faith in the American people, with their diverse interests and attitudes, as the true vitality of the growing tradition of American federalism.

#### **Capitalism Encouraged**

One of the dominant historical forces at work almost from the inception of the new Republic was the rapid expansion of a capitalist economy. The Industrial Revolu-

<sup>3</sup> As quoted by Richard Hofstadter, *The American Political Tradition and the Men Who Made It* (New York: Vintage Books, 1948), p. 29.

tion and the unique opportunities available to an America with great room to grow were coupled with an aggressive and optimistic American spirit of individual responsibility and initiative. The decisions of Chief Justice Marshall and the arguments of his contemporaries, such men as Justice Story and Daniel Webster, built upon the Hamiltonian vision of America as enunciated in *The Federalist*. Great stress was laid upon the sanctity of contract and of private property. It appeared vital to provide sufficiently centralized power to prevent the abuses of any of these concepts within the separate state governments. Thus, capitalism received great support from the political system. What centralization was necessary to preserve the sanctity of contract and of private property did not, however, conflict with the American tradition of federalism as it had developed. A government of separated, limited powers, a close adherence to the principles of English common law and tradition remained very much in evidence.

### **Jackson's Role**

Of course, Americans were still having their political arguments. The entrenched localized capitalism represented by the Charles River Bridge, or by the Southern agrarians, did not always approve

of the sweeping social changes which a rapidly expanding capitalism brought to America. Some scholars of the Jacksonian era, notably Arthur M. Schlesinger, Jr. in his *Age of Jackson*, have described these domestic political and economic arguments of the time as though the Jacksonian movement were some sort of anti-capitalistic New Deal crusade against the powers of entrenched wealth. This is most emphatically not the case. It is much more nearly correct to see the political conflicts of the era as a sort of "new" capitalism versus "old" capitalism struggle. The Bank of the United States, for example, was attacked not in an assault upon capitalism, but as a complaint by a rising middle class against a monopoly situation that limited their own opportunities within a burgeoning capitalistic system.

Jackson himself was a western aristocrat whose primary appeal to a rising middle class was equality before the law and resistance to unwarranted centralization, whether in economics or politics. Nothing could make it clearer that the Jacksonian movement was well within the dominant American tradition than the fact that upon John Marshall's death, Andrew Jackson appointed to the Supreme Court Chief Justice Taney to fill

the vacancy, whereupon Taney served for nearly thirty years, from 1835 to 1864, producing a series of decisions steadily strengthening the contract clause of the Constitution.

Jackson's chief opponent in the political arena, Henry Clay, was a consistent advocate of extensive capitalistic development. Daniel Webster also advocated such developments, and yet found no difficulty in remaining close to the traditions of American federalism. As a rising young politician in the West, not too many years later, Abraham Lincoln consistently emphasized self-help, the growing West of his times, and the great social mobility of capitalism. All of these men, Jacksonian or Whig, consistently urged greater economic opportunity for the individual and the sanctity of property and contract as the best safeguard of that opportunity. They envisioned a government that enforced the rules of the game while leaving open the widest possible avenues for individual initiative and varied capitalistic development in a thoroughly decentralized framework. As rising capitalists building toward modern America, the generations of pre-Civil War American political and economic thinkers continued to place their faith in the growing tradition of American federalism.

### **Southern Agrarianism**

While the North and the West went the way of industrial capitalism, the South, tied to the land and to its "peculiar institution" of slavery, went the way of agrarian capitalism. A different strain of political thinking, southern agrarianism is also one of the formative elements of American political thought before the Civil War.

Perhaps a no more simon-pure spokesman for the Southern agrarian viewpoint could be found than John Randolph of Roanoke, an eccentric genius, unwilling to admit the slightest compromise with the new order. Randolph feared the results of excessive centralization and the impersonality of a government too far removed from the varieties of local experience. Discussing the House of Representatives, he asked: "But, Sir, how shall a man from Mackinaw or the Yellow Stone River respond to the sentiments of the people who live in New Hampshire? It is as great a mockery — a greater mockery, than it was to talk to those colonies about their virtual representation in the British parliament. I have no hesitation in saying that the liberties of the colonies were safer in the custody of the British parliament than they will be in any portion of this country, if all the powers of the

states as well as those of the general government are devolved upon this House."<sup>4</sup>

Russell Kirk makes Randolph's attitude completely clear when he writes, "For Randolph, the real people of a country were its substantial citizenry, its men of some property, its farmers and merchants and men of skill and learning; upon their shoulders rested a country's duties, and in their hands should repose its government."<sup>5</sup> It is John Randolph who developed much of the political framework later brought to fruition by John Calhoun. The primary emphasis in that framework as it developed rested upon the doctrine of states' rights, a position not without validity. Indeed, an earlier biographer of John Randolph, the almost equally eccentric and irascible Henry Adams, has suggested that the doctrine of states' rights was in itself a sound and true doctrine: "As a starting point of American history and constitutional law, there is no other which will bear a moment's examination."

Randolph was especially critical of the commerce clause and the general welfare clause of the Constitution. He predicted that the

great extension of the power of centralized government would someday occur through these legal avenues. Time has proven him correct.

### **Equality or Liberty**

Calhoun built upon these suppositions. The "Iron Man," pressured by the necessity of the growing crisis that was to produce the Civil War, early came to grips with the problem of what constituted genuine equality and liberty. He warned that true liberty was compatible only with equality of *opportunity* and indeed was impossible if an equality of *condition* were to be enforced:

"Now as individuals differ greatly from each other in intelligence, sagacity, energy, perseverance, skill, habits of industry and economy, physical power, position and opportunity, — the necessary effect of leaving all free to exert themselves, to better their position, must be a corresponding inequality between those who may possess these qualities and advantages in a high degree, and those who may be deficient in them. The only means by which this result can be prevented are, either to impose such restrictions on the exertions of those who may possess them in a high degree, as will place them on a level with those who do not; or to deprive them of

<sup>4</sup> *Annals of Congress*, (18th Congress, 1st Sess.), p. 1304.

<sup>5</sup> Russell Kirk, *Randolph of Roanoke* (Chicago: Henry Regnery Co., 1964), pp. 34-35.

the fruits of their exertions. But to impose such restrictions on them would be restrictive of liberty,—while to deprive them of the fruits of their exertions, would be to destroy the desire of bettering their condition. It is, indeed, this inequality of condition between the front and rear ranks, in the march of progress, which gives so strong an impulse to the former to maintain their position, and to the latter to press forward into their files. This gives to progress its greatest impulse. To push the front rank back to the rear, or attempt to push forward the rear into line with the front, by the interposition of the government, would put an end to the impulse, and effectually arrest the march of progress.”<sup>6</sup>

Liberty, equality of *opportunity*, progress . . . these are John Calhoun’s words, yet might just as easily be the words of a Jacksonian entrepreneur. And how is the government to be kept from interfering with this balance? Calhoun’s answer, well within the spirit of American federalism, was his “theory of the concurrent majority.” Under other names, Calhoun’s idea has long been the way we have actually run the American Republic and made our decisions. Power is to be diffused through so

many separate entities that local and regional principles, programs, and interests, representing the tremendous diversity of American society, are able to work together at some times and yet check one another at other times, allowing national business to go forward, and yet avoiding suppression of anyone’s legitimate action for the benefit of anyone else.

### **The Civil War**

Admittedly, a wide gulf existed in some instances between the industrial capitalism of the North and West and the agrarian capitalism of the South. Yet, in a number of ways the political values to which both North and South appealed before the Civil War had much in common. Both espoused limiting the sphere of governmental action, both favored diffusion of power, both favored wide opportunities for individual differences and individual opportunities. In a word, both continued to do their thinking within the tradition of American federalism.

Yet, there remained a difficult road ahead for American federalism: the Civil War. The problem of slavery was being driven so far into the foreground that it could not much longer be ignored. The Southern agrarians were being driven by a small but intractable Northern abolitionist minority in-

<sup>6</sup> John Calhoun, *Disquisition on Government*, Works, I, pp. 56-57.

to wrapping the institution of slavery in the protective cloak of American federalism. Most Northerners were also concerned with slavery, but in a very different way. The threat of the expansion of slavery into the new territories as this nation grew seemed to the average Northerner to menace his free institutions, both economic and political. When the war finally came, the abolitionists who had done so much to bring it about were no longer in the forefront.

The struggle came to be between Northerners set on maintaining their federal system as it had existed and Southerners who wished to set up an almost identical federal system within which the institution of slavery would be protected. The underlying concepts of American federalism were thus espoused by both North and South, even as the struggle of section against section was carried out.

The statements of Lincoln before and during the war epitomize the Northern insistence upon the traditional American attitude toward limited government and individual opportunity. In 1858 he commented, "As I would not be a slave, so I would not be a master. This expresses my idea of democracy." In 1861, he defined democracy as "a government of the people, by the same people." Nothing in such sentiments conflicts with

the basic intent of Calhoun's concurrent majority. The great question that needed to be answered, again in Lincoln's words, was, "Must a government, of necessity, be too strong for the liberties of its people, or too weak to maintain its own existence?"

### **States' Rights**

The history books often don't emphasize the fact that states' rights had a history of great strength in the North as well as in the South, as for example in the Hartford Convention of 1814. Meanwhile, the South maintained a strong sentimental and intellectual attachment to the Constitution until the very eve of the Civil War. Both sides espoused the same tradition in political theory; the trouble came rather from a sectional conflict over differing sociological concepts. As Daniel Boorstin has phrased it: "The North and the South each considered that it was fighting primarily for its legal rights under the sacred Federal Constitution . . . As often in American history, a great political conflict was taking the form not of a struggle between essentially different political theories, but between differences of Constitutional emphasis. . . . The Civil War secessionist argument — like that of the Revolution, could be carried on in such a conservative vocabulary,

because both events were, theoretically speaking, only surface breaches in a firm federal framework. Because of this, they both implied, win or lose, the continued acceptance of the existing structure of local government."<sup>7</sup>

The Reconstruction era, for all its senseless crimes and abuses by both the North and the South, demonstrated a remarkable reintegration of the South into the American Constitutional system. The Civil War had to be fought, perhaps, but both sides remained so much within the American tradition of federalism that the basic concepts of the American political fabric remained largely intact.

### **Racial Problems Remain**

Since the American Civil War, the racial problem left as a legacy of slavery continues to plague both the South and the American federal system. In a case before the Supreme Court several years ago, Justice Frankfurter attacked "some recent suggestions that the Constitution was in reality a deft device for establishing a centralized government. . . ." Recalling Louis Brandeis' remark that the separation of powers was adopted "not to promote efficiency, but to preclude the exercise of arbitrary

power," Frankfurter concluded with a suggestion we might all remember: "Time has not lessened the concern of the founders in devising a federal system which would likewise be a safeguard against arbitrary government. The greatest self-restraint is necessary when that federal system yields results with which a court is in little sympathy."<sup>8</sup>

The racial problem is still with us (as are innumerable other problems as well) but it ill-behoves us to destroy the American tradition of federalism in the course of attempted "solutions" to our problems. After all, that American tradition of federalism has itself proven to be the greatest problem solver the American Republic has ever found.

Since the Civil War, a large part of American economic and political success has been the result of the wide social diffusion of power traditional in America. The churches, business, labor, agriculture, and political parties, have all exercised a measure of authority within the system, outside of governmental control. State and local governments also serve to limit centralizing tendencies as they exercise their authority. Congress is composed of Senators and Representatives elected by localities and states and often representing na-

<sup>7</sup> Daniel Boorstin, *The Genius of American Politics* (Chicago: University of Chicago Press, 1953), pp. 122; 124-25.

<sup>8</sup> *Bartkus v. Illinois*, March 30, 1959.

tional interest only in the sense that all of their separate and widely varied regional interests produce a national amalgam of opinion. It is behind this protective shelter of diffused and dispersed political power constituting the American federal system that the private individual has operated. It is this basic American tradition of an individual citizen freed from undue centralization of power that has provided the tremendous productivity and social mobility of the nation.

### **The Melting Pot**

Another example of this social mobility achieved through the decentralization of political power would be the record of the American immigrant. America is often referred to as a "Melting Pot," yet many of the various nationalities that make up our national population retain a wide variety of cultural differences with great pride. This cultural diversity is protected by the American federal system. On the other hand, in a political sense America has been a "Melting Pot." Many of the Europeans coming to these shores have brought with them some of the more radical political beliefs of their homeland, yet upon arriving here have been absorbed into moderate political life. America has shown the world that the "consensus through

diversity" of political life possible under federalism opens so many social and economic doors to so many people that radical political answers are no longer either necessary or desirable.

This blend of political stability and economic and social progress made possible through the diffusion and localization of power was noted as a basic American institution by Tocqueville well over 100 years ago. He pointed out that state and local governments had come first in America and that the national government had been designed later for special purposes. In his careful study of local government institutions in the United States he found that "municipal institutions constitute the strength of free nations . . . [because] a nation may establish a free government, but without municipal institutions it cannot have the spirit of liberty. . . . However enlightened and skillful a central power may be, it cannot of itself embrace all the details of the life of a great nation. Such vigilance exceeds the powers of man."<sup>9</sup>

The papers of the Founding Fathers, especially *The Federalist*, are filled with approval of popular rule, so long as that popular rule is *locally* oriented. Even the

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<sup>9</sup> Alexis de Tocqueville, *Democracy in America* (New York: Vintage Books, 1958), pp. 63; 93.

national government in its Congressional wing was to be a series of popularly elected senators and congressmen, each representing a small segment of the total political body. This heterogeneous representation is still with us and has produced what Willmoore Kendall describes as the "Two Majorities" within national politics. Even though the Presidential majority produces a single executive authority, the congressional majority puts up the money and passes the laws that allow that Presidential authority to be exercised, thus giving regional and local representation in all its diversity a powerful voice on the national scene.

### **A Changing Pattern**

Just as regional diversity and the political authority accorded it were seen by Tocqueville as the very root and branch of American self-reliance and therefore of American greatness, it has also

been productive of such sentiments as that epitomized by the moral rectitude of Grover Cleveland in his assertion that "the lesson should be constantly enforced that though the people support the Government, the Government should not support the people."<sup>10</sup>

Somehow in our own time a student of contemporary society cannot help but wonder whether or not there may be quite a number of Americans who no longer seem to espouse such attitudes. It sometimes appears that all too many citizens seem more interested in what the government can do for them than in their own self-reliance. Certain elements within our society, especially in the late nineteenth and twentieth centuries, have gradually developed a philosophy of government quite different from the American tradition of federalism. ◆

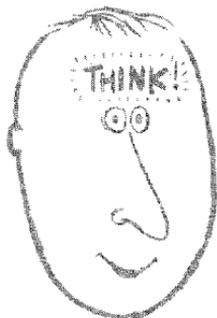
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<sup>10</sup> Grover Cleveland, Veto Message, February 16, 1887.

*An article to appear next month will deal with the erosion of American Federalism.*

# The Impregnable Freedom

LOIS H. SARGENT



EVERY fresh economic restriction or control of an expanding bureaucratic government encroaches another degree upon individual freedom. But, no matter how much freedom of enterprise and action men may lose, there is one freedom that is absolutely impregnable: a man's freedom to think for himself.

This freedom assumes a singular importance today because of two opposing viewpoints contending for public acceptance. On the one hand, there is the political humanitarianism which would have us believe that a benign government should solve the problems of its citizens and create for them the ideal environment and society. On the other hand are the conservatives, or the libertarians, who be-

lieve that people produce and achieve more if placed upon their own responsibility and left free to carve out their destinies, each in his own way.

This controversy raises another question: *Do* individuals really determine their own destinies, or are they inevitably the product of environment and sociological conditions?

Now, no modern, well-read person will discount the influence of environment — the family, then the broader environment of friendships, educational background, community, working environment — upon the development of personality. As most psychologists explain it, they are interrelated and interacting. But logic and reason, when the subject is reduced to its basic principle, accord dominant influence to individual thinking and effort.

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Mrs. Sargent, active for many years in the field of personal counseling, is a free-lance author from Springfield, Missouri.

In support of this contention, I offer the following pertinent facts.

Everything that has been discovered, designed, or invented for the improvement or comfort of man has originated in some man's mind. Aside from its physical (nature) components, the environment of man has been created by man himself. And, as men have learned more and more about nature, they have learned how to adapt, adjust, and to a great extent, control it. And this, too, was initiated by mental effort.

Everything that has contributed to the advancement of civilization, and likewise, everything that has brought about its decay, has first been a thought in some man's mind.

Some persons may accept this generality, yet fail to apply the principle to themselves, thus failing to realize the extent to which their thinking determines the conditions of life.

If a man wishes to believe, as the proponents of the social gospel or socialists imply, that environment and circumstances direct his path in life, he is mentally free to accept this idea. If he thinks that way, the idea takes on reality and the environment looms as something that acts *upon* him, as a mold shapes metal.

The opposite viewpoint holds that environment and circum-

stances are something a man *re-acts to*; he can decide for himself if he wants to accept it as it is, resist it, or change it, as his urges and aims may dictate.

Suppose Abraham Lincoln, contemplating in his childhood the utter poverty and limitation of his surroundings, had believed that his future would be shaped by his environment. His desire for learning and determination to get it, which paved the road he was to travel, might never have been awakened.

Suppose George Washington Carver had thought as a young boy: "I am just a poor black boy, child of slaves. How can I hope to rise out of such circumstances and make something of myself?"

Without the vision which impelled ambition and effort to overcome obstacles and alertness to make the most of help that circumstances did occasionally provide, the world would never have heard of either of them.

The records of business, industry, and the professions abound with biographies of self-made men and women who used their God-given freedom to think for themselves, and with will, faith, and labor, rose from humble beginnings to make their dreams come true.

They had to think in that direction before they could travel it.

Fortunately for them, their *national* environment then presented no insurmountable obstacles, but allowed them maximum freedom to pursue the goals they envisioned. This can still be done today, if the initiative and will are strong enough, but the odds are greater than they once were.

The fact that this nation has enjoyed the fastest progress, and has had the highest standard of living in the world, seems proof enough that individuals are quite capable of working out their own destinies, and will have better opportunity if they live in an atmosphere of political and economic freedom.

Further, it seems logical, as a corollary, that sociological problems will be solved easier and with less expense within that framework, where the conditions of each community can be accurately studied and appraised.

Many and varied are the causes of the present blight upon our freedom, and so complex and interwoven are they that it would be impossible to single out the leading one.

But we can keep before us this

one truth: a city or civilization is but the outward projection of the ideas of men. What men visualize, they will eventually produce, for better or worse. Free enterprise, republicanism, democracy, socialism, social-welfare, subsidies, price controls, deficit spending, and all the rest were once just ideas.

If we are dissatisfied with what ideas produce, we can re-examine the ideas. Not all ideas that sound good in theory prove worthy in practice, and unfortunately, the originators of inefficacious ideas are ever loath to revise their viewpoints. But this need not bind the minds of their critics.

If we find that economic and other freedoms are slipping away from us, we should regard this as a challenge to discover why and where ideas went astray. Ideas can bring about the decay of a civilization; ideas can save or rebuild it.

Freedom of thought is impregnable; the one freedom that does not have to be legally protected nor fought for — it has but to be cherished and *used*. ♦

#### IDEAS ON LIBERTY

#### *Alexis de Tocqueville*

MEN THINK they manifest their greatness by simplifying the means they use; but it is the purpose of God which is simple — his means are infinitely varied.

## "The Politics of Surrender"

M. STANTON EVANS believes that chickens come home to roost. Or, in the words of the late Richard Weaver, that "ideas have consequences."

The consequences of pseudo-liberal ideas for the West, as they are set forth in Mr. Evans' voluminous but tightly argued *The Politics of Surrender* (Devin-Adair, \$6.95), are likely to be pretty horrendous. The root assumption of pseudo liberalism, as Mr. Evans sees it, is that convergence of western capitalism and communism is more or less ordained by "history," and that there is no use fighting it. This "liberal" assumption isn't pure Marxist determinism, for the pure Marxists believe that capitalism is destined to go down in a series of catastrophic convulsions. The "liberal" assumes that as the West moves toward socialism, the Communist East must move toward democracy, with a peaceful embrace in a world state looming as the culminating destiny of man-

kind. It never occurs to the "liberal" that socialism, which implies state compulsion in dealing with the energies of men, is, if pressed beyond a certain point, utterly incompatible with democratic politics. The "merger" of West and East which the "liberal" hopes to see accomplished depends on the surrender of one set of ideas or another—and it is the thesis of M. Stanton Evans that the West is in process of doing the surrendering.

It is, of course, a straggly process, for humanity balks at "clean" solutions, and ideas beget counterideas. However, the pseudo liberal has a way of achieving bureaucratic power that is somewhat frightening. Mr. Evans begins by analyzing some of the important pseudoliberal documents which, even when they are officially denounced, manage to affect the speeches of important statesmen and the course of action of administrators.

There are *The Liberal Papers*,

with a revealing preface by James Roosevelt, for example. And there is *Study Phoenix*, prepared by Vincent Rock, a "senior research analyst" at something called the Institute for Defense Analysis. The ideas expressed in these and other "liberal" documents all revolve around the theory that the intentions of Moscow and Peking must be ultimately peaceful. The consequences of this theory will be devastating if it is wrong.

Mr. Evans is encyclopedic in tracing out the connections between idea and "happening." *Study Phoenix* talks about an "interdependence" between Moscow and Washington. To Vincent Rock "interdependence" means that a "balance of terror" can be maintained by the two great powers through simultaneous cuts in armament. Picking up from the *Phoenix* assumption, Dr. Seymour Melman of Columbia University and Dr. Jerome Wiesner of Massachusetts Institute of Technology have been telling recent Washington administrations that if the U.S. refrains from "provocative" arms building, Russia will follow suit.

Hence a decision, taken in the Kennedy Administration, not to go ahead with the deployment of a Nike-Zeus or Nike-X antimissile missile system. Wiesner considered that such deployment

might convince the Russians that we were getting ready for an atomic blowoff. The result of "scaring" the Soviets would be to provoke them into speeding up the development of an effective antimissile grid on their own.

Alas for the Melman-Wiesner way of thinking, the Russians have gone ahead with antimissile research and development even without being "scared." Mr. Evans can take it as an ironic justification for his book that its publication practically coincided with Secretary of Defense McNamara's announcement that the Russians have an antimissile missile and are proceeding to deploy it in a way that makes it necessary for the U.S. to come up with a more potent offensive atomic weapon than can currently be fired by our forty Polaris submarines.

For libertarians, Mr. Evans' long discussion of the foreign policy ideas disseminated by "experts" who wrote for the publications of the Institute of Pacific Relations is particularly pertinent. The IPR has been denounced by a Senate subcommittee as "a vehicle used by the communists to orientate American Far Eastern policies toward communist objectives." (The quote is from a 1952-report of the Senate Judiciary Committee.) Whether or not

there was conscious collusion between the communists and the IPR, the IPR publications encouraged the idea that Mao Tse-tung's Chinese Communism wasn't really communism, but just an Oriental version of Jeffersonian agrarianism. The IPR writers accused Chiang Kai-shek of heading a "corrupt" and "reactionary" government, and sold the notion to General George Marshall that there should be a "coalition" regime in Peking. When Chiang Kai-shek refused to make a coalition with his Marxist enemies, the U.S. withdrew military support from the nationalist Chinese. And, after the dust had settled, the communists had taken over the mainland and Chiang had been driven to the offshore island of Formosa.

The percolation of IPR ideas did not end with the de facto creation of "two Chinas." For, as Mr. Evans points out, the IPR theories are surfacing again with the drive to throw the Formosa Chinese out of the UN and to seat Red China.

This drive is of peculiar significance to libertarians for the simple reason that it threatens an island that has become a most heartening example of what men can do in freedom. Unable to put his ideas across on the mainland because of twenty years of war

and revolution, Chiang Kai-shek has had a peaceful island interlude during which he has solved the agrarian question that still bedevils his great rival, Mao Tse-tung. Instead of expropriating absentee landlords on Formosa, the Chiang government bought them out by offering them shares in the big national cement companies. Then it proceeded to denationalize the companies, which forthwith became very prosperous. Thus the old landlords became the new capitalists on Formosa. And the peasants, now in possession of their own rice paddies, have had an incentive that has made Formosa self-sufficient in food.

Indeed, it is far more than that. Not only does the island, which is less than three hundred miles long, feed its thirteen million inhabitants; it is also managing to develop a big export surplus of canned pineapple, bananas, sugar, mushrooms, and even rice. The relative economic freedom that pertains on Formosa has given Free China the second highest standard of living in the Far East. By contrast, Mao Tse-tung's Red China is the worst of slums.

Since these are ascertainable facts, it is doubly amazing that the "politicians of surrender" should even dare to talk about handing Free China's seat in the

UN to Red China, or even to promote a "two China policy" that would weaken Formosa's defenses in a world that shows no signs of forswearing violence.

Virtually a library in itself, Stanton Evans' book provides detailed histories of all the important East-West confrontations since 1945. In its pages you can find all you need to know about the Bay of Pigs, the Cuban missile crisis, the Dominican Republic affair, the war in Katanga, the Diem murder, the partition of Laos, and the communist drives in Africa. This is a "must" book for anyone who wants to know the world of 1967. ◆

- 1787: THE GRAND CONVENTION by Clinton Rossiter (New York: The Macmillan Company, 1966) \$7.95, 443 pp.

*Reviewed by Robert M. Thornton*

THIS is a fine handbook for anyone interested in the making of our Constitution. The information about the framers, like the documents in the appendices, is, of course, helpful, but the most valuable passages in the book are those devoted to the leading ideas in the air during the summer of 1787. As another reviewer, M. Stanton Evans, has remarked, one could hardly ask for a better expression of the "key ideas in the consensus

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of political thought in the new republic" than appears on pages 60-64.

As is well known, the Constitution is a "bundle of compromises." While most of the delegates to the Convention wished to build a new nation, shared the goal of "ordered liberty," and agreed as to the *general* form of government best for Americans, their deliberations represented a clash of interests, each one jealous of powers granted to the others. But the framers, although representing opposing interests, never suggested resolving their differences by an appeal to arms. Nor did they express any desire to bring about unity in the form of a dictatorship. Most of these men had earlier risked their lives, their fortunes, and their sacred honor for the cause of liberty, and they wanted nothing to do with any form of despotism, either dictatorial or democratic.

Vital to success was the privacy of the convention's proceedings. In our age of "instant publicity" it is difficult to imagine such an event taking place with hardly any leaks of information by the participants and little pressure from outsiders to learn what was taking place behind closed doors in the State House (Independence Hall) in Philadelphia. In the glare of publicity such as we have today,

the necessary frankness in debate and the flexibility to compromise would have been impossible.

The framers, although not without confidence in their abilities and in the use of reason tested by years of political experience, did, nevertheless, hold to a humble view of their limitations. Their goal was not a perfect society but a tolerable one. They did not deny the shortcomings of their finished work but asked its critics if a second convention could produce anything better that would be acceptable to the people of the several states.

Although these men deliberated in privacy, the fruit of their labors had to be submitted to the people for approval and then, if accepted, it would have to prove itself in actual use. The framers did not intend their document to be a lecture room exercise in political theory; they aimed to produce a Constitution which would work.

Throughout the book Rossiter challenges those who have accused the framers of acting solely from selfish motives or of bringing off a bloodless counterrevolution. On the contrary, the fifty or so men who labored from May to September, 1787, were disinterested to a remarkable degree and their splendid efforts represented a necessary and proper culmination of what had begun in 1774-1776. ♦

- ✓ A serious problem, suggests Gary North, stems from the fact that a policy of domestic inflation results in an irredeemable money unacceptable for settling balances due in international trade ..... p. 67
  
- ✓ Henry Hazlitt further pursues the monetary question through the implications of price controls, antitrust policies, and other interventions, to the conclusion that an unhampered market best finds the right price ..... p. 73
  
- ✓ Some fishermen may be surprised to discover, with Professor Carson's help, that men, too, can be baited and hooked on promises of something for nothing ..... p. 83
  
- ✓ Judge William Palmer, long devoted to the defense of property as the key to human rights, traces the history of private property over the centuries and points up the seriousness of modern invasions of privacy ..... p. 92
  
- ✓ Is it the duty of the government to reveal, or the obligation of citizens to find out and understand, what the governors are doing to the governed? ..... p. 108
  
- ✓ In this third article of his series on **American Federalism**, Dr. Roche identifies a number of today's most devastating departures from the basic principles and design ..... p. 112
  
- ✓ Losing has its merits, suggests John Chamberlain as he reviews William Buckley's **The Unmaking of a Mayor** ..... p. 125
  
- ✓ And George Roche finds worthy of note **The Fabian Way** and **The Democrat's Dilemma** ..... p. 128



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Economic Education*

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# **DOMESTIC INFLATION —versus INTERNATIONAL SOLVENCY**

IN RECENT MONTHS there has been an increasing amount of discussion concerning "international liquidity," "balance of payments," "dollar glut," gold outflow, and monetary stability. Economists, even when they agree on the nature of the problems involved, seldom are unanimous on the solutions. The debates that are going on among economists, bankers, and politicians are frequently phrased in highly technical and abstruse language, but the basic issue is simply this: how can nations continue to inflate their domestic currency and credit systems, and at the same time preserve mutual trust in each other's solvency?

The "ideal" economic world, in the view of many of our leading economists, is one in which we would have "freedom for each

country to pursue its own independent economic policy unhampered by balance-of-payments considerations; and stability of [monetary] exchange rates to encourage international relations."<sup>1</sup> Unfortunately, as the author hastens to add, "the two are incompatible...." The goal of today's international finance experts, therefore, is to discover the best compromise possible, the most workable balance between the two alternatives.

In the context of contemporary economic theory and practice, the phrase, "freedom to pursue domestic economic policy," invariably means the freedom of the monetary authorities to inflate a nation's circulating media (currency, coins, and credit). The motivations be-

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Gary North teaches at the University of California at Riverside while working on a doctorate in economic history.

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<sup>1</sup> Tibor Scitovsky, "Requirements of an International Reserve System," in *Essays in International Finance*, #49, November, 1965 (Princeton University's International Finance Section), p. 3.

hind domestic inflation are varied; an important one is that the state can raise its level of expenditure without imposing a corresponding increase in the *visible* tax rate. Inflation, in short, is a form of invisible taxation, and those on relatively fixed incomes are the ones who pay the tax; they must decrease their purchases of consumer products and services when the level of prices rises.

### ***Inflation for Full Employment***

But the primary economic argument which is used today to defend an expansion of the domestic money supply is that inflation keeps "effective demand" at high levels, that people with the newly created money will buy more goods, and that businesses as a direct result will be stimulated to increase production. Consequently, more people will be employed by these firms.

Fundamental to this argument is the idea that the operation of the free market is insufficient to insure employment for all those who desire to work. Somehow, the market fails to dispose of all goods offered for sale (through the unhampered action of the pricing mechanism), and therefore the demand registered by purchases is unable to encourage greater production. This perspective has been common to most socialist parties, but it became a basic presupposi-

tion of modern nonsocialist thought through the teachings of John Maynard Keynes in his *General Theory of Employment, Interest and Money* (1936). Keynes realized that a downward revision of the level of wages would be opposed vigorously by labor unions, and the governments of most western democracies would find such a downward revision politically inexpedient. Money wages must not be permitted to fall. However, if inflation were allowed to raise costs and prices, real wages would fall without the organized opposition of labor.<sup>2</sup> It was clear that if real wages did not fall, the result would be unemployment; the least productive workers would have to be dismissed.

Keynes wrote during the depression, but an analogous situation exists today. The structure of minimum wage laws creates a similar problem: the low production worker would lose his job were it not for the fact that governments are permitting real wages to fall (at least in comparison to what the wages would be in the absence of inflation). Minimum wage laws have, in effect, made inflation a political necessity. Eventually, the misallocation of scarce resources promoted by the inflation will

<sup>2</sup> See the analysis of Keynes's position by Murray N. Rothbard, *Man, Economy and State* (Princeton: Van Nostrand, 1962), II, pp. 683-87.

harm both the laborers and the manufacturers, as prices soar beyond the means of all but the most influential companies (politically) and the members of the strongest labor unions.

In order to keep businesses going at full production, according to the "new economics," thus keeping labor fully employed, ever-increasing doses of inflation are required. As Wilhelm Roepke has pointed out, it was precisely this philosophy of inflationary full employment which motivated the peacetime economic planning of Nazi Germany, with the resulting system of "repressed inflation" — rationing, shortages, and misallocation of resources.<sup>3</sup>

The nation which indulges itself with an inflationary "boom" inevitably faces the economic consequences: either runaway inflation or a serious recession-depression. If the inflation should cease, unemployment will increase, and the earlier forecasts of the nation's entrepreneurs (which were based on the assumption of continuing infla-

tion) will be destroyed.<sup>4</sup> Since no political party is anxious to face the consequences at the polls of a depression, there is a tendency for inflations, once begun, to become permanent phenomena. Tax increases are postponed as long as possible, "tight" money (i.e., higher interest rates) is unpopular, and cuts in governmental expenditures are not welcomed by those special interest groups which have been profiting by the state's purchases. The inflation continues. As Jacques Rueff has put it: "I know that these [monetary] authorities are not able, they have not the power — the human possibility, at least in our regime — to follow the policy which they ought to."<sup>5</sup>

### **International Complications**

This should serve as an introduction to the domestic problem which faces the various western democracies. From an international standpoint, the situation is reversed. The primary need for international trade is a common means of payment which is not subject to violent upward surges,

<sup>3</sup> Roepke, "The Economics of Full Employment," in Henry Hazlitt (ed.), *The Critics of Keynesian Economics* (Princeton: Van Nostrand, 1960), p. 374. For a full discussion of "repressed inflation," see Roepke, *A Humane Economy* (Chicago: Regnery, 1960), pp. 151-221. My own pamphlet, *Inflation: the Economics of Addiction* (San Carlos, Cal.: The Pamphleteers, 1965), also deals with the issue of chronic inflation.

<sup>4</sup> Cf. Ludwig von Mises, *Human Action* (New Haven, Conn.: Yale University Press, 1949, 1963), chapter 20. Also, see Rothbard, *America's Great Depression* (Princeton: Van Nostrand, 1963).

<sup>5</sup> Jacques Rueff and Fred Hirsch, "The Role and Rule of Gold: A Discussion," in *Essays in International Finance*, #47, June, 1965 (Princeton University's International Finance Section), p. 6.

a money free from most inflationary tendencies. Foreign governments and central banks want to be able to trust their neighbors' currencies.

The best means of insuring international responsibility in monetary affairs is the gold standard. This has always been true. Since gold cannot be mined rapidly enough to create mass inflation, it retains its value over long periods of time. For example, the stability of British wholesale prices between 1821 and 1914 was remarkable.<sup>6</sup> Central banks can demand payment of debts in gold, or in currencies which are (supposedly) 100 per cent redeemable in gold. The banks can then use these foreign securities as a base on which to expand their own credit systems, on the assumption that the debtors' promises are as good as gold. At present, central banks hold American dollars and British pounds sterling in lieu of gold — or more accurately, they hold interest-bearing bonds and securities that are supposedly convertible into gold at any time.

### **The Dilemma**

Here is the basis of the conflict between domestic and internation-

al economic policies. Gold is presently necessary to support international trade and to maintain international trust in the two key currencies, the dollar and the pound. On the other hand, both Britain and the United States have printed more paper and credit IOU's to gold than they have to redeem all outstanding claims. The domestic inflations have kept their postwar booms going, but now the trust abroad in both currencies is weakened. It is becoming clear that either the domestic inflations must stop, or else the key currencies are going to experience an international "bank run" on their gold reserves. Domestic inflation, in short, is the sole cause of the gold outflow in both the United States and Britain. Since 1960, the U. S. Treasury's stock of gold has been cut in half, and at the present time, there are foreign claims outstanding for over twice the amount of gold than the United States has in reserve (including that gold which is supposed to support our domestic credit and currency).

Jacques Rueff, a French economist, certainly cannot be criticized for these words: "How can you expect a creditor to remain passive when he sees every day an increase in monetary liabilities and a decrease of the gold available to repay them? That is where you get a 'scissors phenomenon.' The U. S.

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<sup>6</sup> Arthur Kemp, "The Gold Standard: A Reappraisal," in Leland B. Yeager (ed.), *In Search of a Monetary Constitution* (Cambridge, Mass.: Harvard University Press, 1962), p. 148.

is caught between the blades of the scissors."<sup>7</sup> Yet Rueff is sneered at as France's "palace economist," as if the truth of a principle were the monopoly of the French. De Gaulle is castigated as economically insane for his attempt to claim what is legally his, the gold to which his country holds legal claims. The United States has contracted debts; it now is faced with the prospect of not being able to meet its debts. The issue is really very simple.

If higher interest rates are not offered in the United States and in Britain, then foreign investors and central banks will cash in their investments and demand payment in gold. On the other hand, if interest rates are permitted to climb higher, the domestic rate of growth will be drastically affected. Money will be "too tight," too expensive for the prospective borrowers. Hence, the "scissors effect." There is no simple solution to the problem.

In 1964, the United States lost some \$385 million in gold; in 1965, the loss tripled, amounting to over \$1.1 billion. In the first six months of 1966, the outflow was almost \$300 million.<sup>8</sup> The costs of the war in Viet Nam are increasing the

deficit in the budget. In Britain, Prime Minister Wilson has been forced to declare a price and wage freeze in order to halt the inflationary rise in prices; this, of course, is repressed inflation — the hampering of the market by government controls — and not a cure. But at least political leaders in the two nations have come to the realization that continued deficits and continued increases in the money supply (apart from increases in gold and silver) cannot go on much longer without serious repercussions in the world money market, and hence, in the world's trading community.

### ***The Search for Substitutes***

Thus, we can understand the frantic search for a nongold international medium of payment. The economic isolationism which always results from domestic inflations cannot be permitted to disrupt the fabric of international integration and trade. Devaluation (charging more dollars or pounds for a given quantity of gold) could easily destroy the confidence in both currencies, and thus result in international economic chaos. Mutual distrust would then be the order of the day in all international transactions. The problem is that no substitute for gold has yet been discovered (or created) by mankind; and gold, because of its re-

<sup>7</sup> Interview with Rueff in *U. S. News & World Report* (Oct. 17, 1966), p. 61.

<sup>8</sup> Computed from the tables in *Mineral Industry Surveys* (Washington, D. C.: Bureau of Mines, Aug., 1966), p. 3.

sistance to "full employment" inflationary policies, is taboo. What is needed, we are told, is something "as good as gold," yet which permits domestic inflation. There are numerous suggestions for such an international money, probably under the control of the International Monetary Fund, but no single plan has reached even partial acceptance by the economists and officials of the nations involved.<sup>9</sup> A fundamental obstacle to be overcome is the basic division between the central banks and the governments: certain policies which are favorable for one group are harmful for the other. Paul H. Douglas, in his recent study of world trade, attempts to find a synthesis of these various schemes, but even his powers of exposition fail him.<sup>10</sup> The solution to the dilemma has not been found, and time (and gold) is running out.

### Why Gold?

A full gold coin standard would unquestionably solve the problem of international acceptance and solvency. Gold has always func-

<sup>9</sup> For a summary of these positions, or at least of the leading ones, see Arthur Kemp, *The Role of Gold* (Washington, D. C.: American Enterprise Institute, 1963).

<sup>10</sup> Paul H. Douglas, *America in the Market Place* (New York: Holt, Rinehart and Winston, 1966).

tioned as the means of international payment, and there is no reason to suppose that it will not in the future (assuming that prices and wages are permitted to adjust on an international free market). The opposition to gold in international trade is based upon ideological assumptions which are hostile to the idea of the free market economy. Gold would insure monetary stability, if that were what the economists and legislators really wanted. It would insure too much stability to suit them, and this is the point of contention. As the late Professor Charles Rist once wrote:

In reality, those theoreticians dislike monetary stability, because they dislike the fact that by means of money the individual may escape the arbitrariness of the government. Stable money is one of the last arms at the disposal of the individual to direct his own affairs, whether it be an enterprise or a household. It is certain that nothing so facilitates the seizure of all activities by the government as its liberty of action in monetary matters. If the partisans of [unbacked] paper money really desire monetary stability, they would not oppose so vehemently the reintroduction of the only system that has ever insured it, which is the system of the gold standard.<sup>11</sup> ◆

<sup>11</sup> Charles Rist, *The Triumph of Gold* (New York: Philosophical Library, 1960), p. 139.



# HOW SHOULD PRICES BE DETERMINED?

HENRY HAZLITT

“How should prices be determined?” To this question we could make a short and simple answer: Prices should be determined by the market.

The answer is correct enough, but some elaboration is necessary to answer the practical problem concerning the wisdom of government price control.

Let us begin on the elementary level and say that prices are determined by supply and demand. If the relative demand for a product increases, consumers will be willing to pay more for it. Their competitive bids will both oblige them individually to pay more for

it and enable producers to get more for it. This will raise the profit margins of the producers of that product. This, in turn, will tend to attract more firms into the manufacture of that product, and induce existing firms to invest more capital into making it. The increased production will tend to reduce the price of the product again, and to reduce the profit margin in making it. The increased investment in new manufacturing equipment may lower the cost of production. Or — particularly if we are concerned with some extractive industry such as petroleum, gold, silver, or copper — the increased demand and output may raise the cost of production. In any case, the price will have a definite effect on demand,

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output, and cost of production just as these in turn will affect price. All four—demand, supply, cost, and price—are interrelated. A change in one will bring changes in the others.

#### **Direct and Indirect Price Interrelationships**

Just as the demand, supply, cost, and price of any single commodity are all interrelated, so are the prices of all commodities related to each other. These relationships are both direct and indirect. Copper mines may yield silver as a by-product. This is connexity of production. If the price of copper goes too high, consumers may substitute aluminum for many uses. This is a connexity of substitution. Dacron and cotton are both used in drip-dry shirts; this is a connexity of consumption.

In addition to these relatively direct connections among prices, there is an inescapable interconnexity of all prices. One general factor of production, labor, can be diverted, in the short run or in the long run, directly or indirectly, from one line into any other line. If one commodity goes up in price, and consumers are unwilling or unable to substitute another, they will be forced to consume a little less of something else. All products are in competition for the consumer's dollar; and a change

in any one price will affect an indefinite number of other prices.

No single price, therefore, can be considered an isolated object in itself. It is interrelated with all other prices. It is precisely through these interrelationships that society is able to solve the immensely difficult and always changing problem of how to allocate production among thousands of different commodities and services so that each may be supplied as nearly as possible in relation to the comparative urgency of the need or desire for it.

Because the desire and need for, and the supply and cost of, every individual commodity or service are constantly changing, prices and price relationships are constantly changing. They are changing yearly, monthly, weekly, daily, hourly. People who think that prices normally rest at some fixed point, or can be easily held to some "right" level, could profitably spend an hour watching the ticker tape of the stock market, or reading the daily report in the newspapers of what happened yesterday in the foreign exchange market, and in the markets for coffee, cocoa, sugar, wheat, corn, rice, and eggs; cotton, hides, wool, and rubber; copper, silver, lead, and zinc. They will find that none of these prices ever stands still. This is why the constant attempts of gov-

ernments to lower, raise, or freeze a particular price, or to freeze the interrelationship of wages and prices just where it was on a given date ("holding the line") are bound to be disruptive wherever they are not futile.

### **Price Supports for Export Items**

Let us begin by considering governmental efforts to keep prices up, or to raise them. Governments most frequently try to do this for commodities that constitute a principal item of export from their countries. Thus Japan once did it for silk and the British Empire for natural rubber; Brazil has done it and still periodically does it for coffee; and the United States has done it and still does it for cotton and wheat. The theory is that raising the price of these export commodities can only do good and no harm domestically because it will raise the incomes of domestic producers and do it almost wholly at the expense of the foreign consumers.

All of these schemes follow a typical course. It is soon discovered that the price of the commodity cannot be raised unless the supply is first reduced. This may lead in the beginning to the imposition of acreage restrictions. But the higher price gives an incentive to producers to increase their average yield per acre by

planting the supported product only on their most productive acres, and by more intensive employment of fertilizers, irrigation, and labor. When the government discovers that this is happening, it turns to imposing absolute quantitative controls on each producer. This is usually based on each producer's previous production over a series of years. The result of this quota system is to keep out all new competition; to lock all existing producers into their previous relative position, and therefore to keep production costs high by removing the chief mechanisms and incentives for reducing such costs. The necessary readjustments are therefore prevented from taking place.

Meanwhile, however, market forces are still functioning in foreign countries. Foreigners object to paying the higher price. They cut down their purchases of the valorized commodity from the valorizing country, and search for other sources of supply. The higher price gives an incentive to other countries to start producing the valorized commodity. Thus, the British rubber scheme led Dutch producers to increase rubber production in Dutch dependencies. This not only lowered rubber prices, but caused the British to lose permanently their previous monopolistic position. In addition,

the British scheme aroused resentment in the United States, the chief consumer, and stimulated the eventually successful development of synthetic rubber. In the same way, without going into detail, Brazil's coffee schemes and America's cotton schemes gave both a political and a price incentive to other countries to initiate or increase production of coffee and cotton, and both Brazil and the United States lost their previous monopolistic positions.

Meanwhile, at home, all these schemes require the setting up of an elaborate system of controls and an elaborate bureaucracy to formulate and enforce them. This has to be elaborate, because each individual producer must be controlled. An illustration of what happens may be found in the United States Department of Agriculture. In 1929, before most of the crop control schemes came into being, there were 24,000 persons employed in the Department of Agriculture. Today there are 109,000. These enormous bureaucracies, of course, always have a vested interest in finding reasons why the controls they were hired to enforce should be continued and expanded. And of course these controls restrict the individual's liberty and set precedents for still further restrictions.

None of these consequences seem

to discourage government efforts to boost prices of certain products above what would otherwise be their competitive market levels. We still have international coffee agreements and international wheat agreements. A particular irony is that the United States was among the sponsors in organizing the international coffee agreement, though its people are the chief consumers of coffee and therefore the most immediate victims of the agreement. Another irony is that the United States imposes *import* quotas on sugar, which necessarily discriminate in favor of some sugar exporting nations and therefore against others. These quotas force all American consumers to pay higher prices for sugar in order that a tiny minority of American sugar cane producers can get higher prices.

I need not point out that these attempts to "stabilize" or raise prices of primary agricultural products *politicalize* every price and production decision and create friction among nations.

### **Holding Prices Down**

Now let us turn to governmental efforts to *lower* prices or at least to keep them from rising. These efforts occur repeatedly in most nations, not only in wartime, but in any time of inflation. The typical process is something like this.

The government, for whatever reason, follows policies that increase the quantity of money and credit. This inevitably starts pushing up prices. But this is not popular with consumers. Therefore, the government promises that it will "hold the line" against further price increases.

Let us say it begins with bread and milk and other necessities. The first thing that happens, assuming that it can enforce its decrees, is that the profit margin in producing necessities falls, or is eliminated, for marginal producers, while the profit margin in producing luxuries is unchanged or goes higher. This reduces and discourages the production of the controlled necessities and relatively encourages the increased production of luxuries. But this is exactly the opposite result from what the price controllers had in mind. If the government then tries to prevent this discouragement to the production of the controlled commodities by keeping down the cost of the raw materials, labor and other factors of production that go into them, it must start controlling prices and wages in ever-widening circles until it is finally trying to control the price of everything.

But if it tries to do this thoroughly and consistently, it will find itself trying to control liter-

ally millions of prices and trillions of price cross-relationships. It will be fixing rigid allocations and quotas for each producer and for each consumer. Of course these controls will have to extend in detail to both importers and exporters.

#### **Necessary Price Flexibility**

If a government continues to create more currency on the one hand while rigidly holding down prices with the other, it will do immense harm. And let us note also that even if the government is not inflating the currency, but tries to hold either absolute or relative prices just where they were, or has instituted an "incomes policy" or "wage policy" drafted in accordance with some mechanical formula, it will do increasingly serious harm. For in a free market, even when the so-called price "level" is not changing, all prices are constantly changing in relation to each other. They are responding to changes in costs of production, of supply, and of demand for each commodity or service.

And these price changes, both absolute and relative, are in the overwhelming main both necessary and desirable. For they are drawing capital, labor, and other resources out of the production of goods and services that are less

wanted and into the production of goods and services that are more wanted. They are adjusting the balance of production to the unceasing changes in demand. They are producing thousands of goods and services in the relative amounts in which they are socially wanted. These relative amounts are changing every day. Therefore the market adjustments and price and wage incentives that lead to these adjustments must be changing every day.

#### **Price Control Distorts Production**

Price control always reduces, unbalances, distorts, and discoordinates production. Price control becomes progressively harmful with the passage of time. Even a fixed price or price relationship that may be "right" or "reasonable" on the day it is set can become increasingly unreasonable or unworkable.

What governments never realize is that, so far as any individual commodity is concerned, the cure for high prices is high prices. High prices lead to economy in consumption and stimulate and increase production. Both of these results increase supply and tend to bring prices down again.

Very well, someone may say; so government price control in many cases is harmful. But so far you have been talking as if the market

were governed by perfect competition. But what of monopolistic markets? What of markets in which prices are controlled or fixed by huge corporations? Must not the government intervene here, if only to enforce competition or to bring about the price that real competition would bring if it existed?

#### **Unwarranted Fears of Monopoly**

The fears of most economists concerning the evils of "monopoly" have been unwarranted and certainly excessive. In the first place, it is very difficult to frame a satisfactory definition of economic monopoly. If there is only a single drug store, barber shop, or grocery in a small isolated town (and this is a typical situation), this store may be said to be enjoying a monopoly in that town. Again, everybody may be said to enjoy a monopoly of his own particular qualities or talents. Yehudi Menuhin has a monopoly of Menuhin's violin playing; Picasso of producing Picasso paintings; Elizabeth Taylor of her particular beauty and sex appeal; and so for lesser qualities and talents in every line.

On the other hand, nearly all economic monopolies are limited by the possibility of substitution. If copper piping is priced too high, consumers can substitute steel or plastic; if beef is too high,

consumers can substitute lamb; if the original girl of your dreams rejects you, you can always marry somebody else. Thus, nearly every person, producer, or seller may enjoy a quasi monopoly within certain inner limits, but very few sellers are able to exploit that monopoly beyond certain outer limits. There has been a tremendous literature within recent years exploring the absence of perfect competition; there could have been equal emphasis on the absence of perfect monopoly. In real life competition is never perfect, but neither is monopoly.

Unable to find many examples of perfect monopoly, some economists have frightened themselves in recent years by conjuring up the specter of "oligopoly," the competition of the few. But they have come to their alarming conclusions only by inserting in their own *hypotheses* all sorts of imaginary secret agreements or tacit understandings between large producing units, and deducing what the results could be.

Now the mere *number* of competitors in a particular industry may have very little to do with the existence of effective competition. If General Electric and Westinghouse effectively compete, if General Motors and Ford and Chrysler effectively compete, if the Chase Manhattan and the First

National City Bank effectively compete, and so on (and no person who has had direct experience with these great companies can doubt that they dominantly do), then the result for consumers, not only in price, but in quality of product or service, is not only as good as that which would be brought about by atomistic competition but much better, because consumers have the advantage of large-scale economies, and of large-scale research and development that small companies could not afford.

#### **A Strange Numbers Game**

The oligopoly theorists have had a baneful influence on the American antitrust division and on court decisions. The prosecutors and the courts have recently been playing a strange numbers game. In 1965, for example, a Federal district court held that a merger that had taken place between two New York City banks four years previously had been illegal, and must now be dissolved. The combined bank was not the largest in the city, but only the third largest; the merger had in fact enabled the bank to compete more effectively with its two larger competitors; its combined assets were still only one-eighth of those represented by all the banks of the city; and the merger itself had reduced the

number of separate banks in New York from 71 to 70. (I should add that in the four years since the merger the number of *branch* bank offices in New York City had *increased* from 645 to 698.) The court agreed with the bank's lawyers that "the general public and small business have benefited" from bank mergers in the city. Nevertheless, the court continued, "practices harmless in themselves, or even those conferring benefits upon the community, cannot be tolerated when they tend to create a monopoly; those which restrict competition are unlawful no matter how beneficent they may be."

It is a strange thing, incidentally, that though politicians and the courts think it necessary to forbid an existing merger in order to increase the number of banks in a city from 70 to 71, they have no such insistence on big numbers in competition when it comes to political parties. The dominant American theory is that just two political parties are enough to give the American voter a real choice; that when there are more than this it merely causes confusion, and the people are not really served. There is this much truth in this political theory as applied in the economic realm. If they are really competing, only two firms in an industry are enough to create effective competition.

### **Monopolistic Pricing**

The real problem is not whether or not there is "monopoly" in a market, but whether there is monopolistic pricing. A monopoly price can arise when the responsiveness of demand is such that the monopolist can obtain a higher net income by selling a smaller quantity of his product at a higher price than by selling a larger quantity at a lower price. It is assumed that in this way the monopolist can realize a higher price than would have prevailed under "pure competition."

The theory that there can be such a thing as a monopoly price, higher than a competitive price would have been, is certainly valid. The real question is, how *useful* is this theory either to the supposed monopolist in deciding his price policies or to the legislator, prosecutor, or court in framing anti-monopoly policies? The monopolist, to be able to exploit his position, must know what the "demand curve" is for his product. He does not know; he can only guess; he must try to find out by trial and error. And it is not merely the unemotional price response of the consumers that the monopolist must keep in mind; it is what the effect of his pricing policies will probably be in gaining the goodwill or arousing the resentment of the consumer. More

importantly, the monopolist must consider the effect of his pricing policies in either encouraging or discouraging the entrance of competitors into the field. He may actually decide that his wisest policy in the long run would be to fix a price no higher than he thinks pure competition would set, and perhaps even a little lower.

In any case, in the absence of competition, no one *knows* what the "competitive" price would be if it existed. Therefore, no one knows exactly how much higher an existing "monopoly" price is than a "competitive" price would be, and no one can be sure whether it is higher at all!

Yet antitrust policy, in the United States, at least, assumes that the courts can know how much an alleged monopoly or "conspiracy" price is above the competitive price that might-have-been. For when there is an alleged conspiracy to fix prices, purchasers are encouraged to sue to recover three times the amount they were allegedly forced to "overpay."

### **Avoid Price-Fixing**

Our analysis leads us to the conclusion that governments should refrain, wherever possible, from trying to fix either maximum or minimum prices for anything. Where they have nationalized any service — the post office or the rail-

roads, the telephone or electric power — they will of course have to establish pricing policies. And where they have granted monopolistic franchises — for subways, railroads, telephone or power companies — they will of course have to consider what price restrictions they will impose.

As to antimonopoly policy, whatever the present condition may be in other countries, I can testify that in the United States this policy shows hardly a trace of consistency. It is uncertain, discriminatory, retroactive, capricious, and shot through with contradictions. No company today, even a moderate sized company, can know when it will be held to have violated the antitrust laws, or why. It all depends on the economic bias of a particular court or judge.

There is immense hypocrisy about the subject. Politicians make eloquent speeches against "monopoly." Then they will impose tariffs and import quotas intended to protect monopoly and keep out competition; they will grant monopolistic franchises to bus companies or telephone companies; they will approve monopolistic patents and copyrights; they will try to control agricultural production to permit monopolistic farm prices. Above all, they will not only permit but impose labor monopolies on employers, and legally com-

pel employers to "bargain" with these monopolies; and they will even allow these monopolies to impose their conditions by physical intimidation and coercion.

I suspect that the intellectual situation and the political climate in this respect is not much different in other countries. To work our way out of this existing legal chaos is, of course, a task for jurists as well as for economists. I have one modest suggestion: We

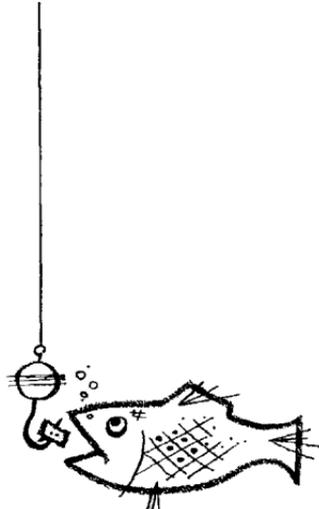
can get a great deal of help from the old common law, which forbids fraud, misrepresentation, and all *physical* intimidation and coercion. "The end of the law," as John Locke reminded us in the seventeenth century, "is not to abolish or restrain, but to preserve and enlarge freedom." And so we can say today that in the economic realm, the aim of the law should not be to constrict, but to maximize price freedom and market freedom. ♦

#### IDEAS ON LIBERTY

#### *Rule of Law*

ARBITRARY POWER, enforcing its edicts to the injury of the persons and property of its subjects, is not law, whether manifested as the decree of a personal monarch or of an impersonal multitude. And the limitations imposed by our constitutional law upon the action of the government, both State and national, are essential to the preservation of public and private rights, notwithstanding the representative character of our political institutions. The enforcement of these limitations by judicial process is the device of self-governing communities to protect the rights of individuals and minorities, as well against the power of numbers, as against the violence of public agents transcending the limits of lawful authority, even when acting in the name and wielding the force of government.

## THE BAIT & THE HOOK



MAN'S DOMINION over the animal kingdom is often precariously maintained. Most animals have some one trait or more which makes them superior in that respect to man. They can run, fly, or swim faster, can inject a venom, can bite, are large and powerful, are small and difficult to locate, can go through places which men avoid, or have some other capacity which makes them difficult for man to dominate. Moreover, most animals do not submit readily to man's dominion; they attempt to elude him when he tries to capture them and try to escape once captured. In a sense, it is valid to say that animals relish their freedom—that is, like to follow their instincts, to go where they will, to

roam in that niche of nature that is particularly suited to them.

First and last, men have devoted a great deal of energy and ingenuity in order to snare, catch, land, capture, trap, hook, corral, pen, and fence animals. Some of these methods have become stereotyped and are virtually universal. They frequently involve efforts to conceal from the animal what is being done. A runaway hog may be captured by laying down a trail of corn that will lead him back to the pen. It may be necessary when he gets in sight of the pen to drive him in with sticks. Mice are apprehended by setting a trap with cheese. Larger animals are captured by baiting a steel trap, or a box, with some delicacy prized by the animal sought.

Perhaps more people in our era

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devote more ingenuity and effort to catching fish than to the capture of any other animal. It is a game which many find endlessly fascinating. The classic device for catching a fish is to bait a hook with a worm and dangle it in the water. Ideally, the worm is stretched over the hook in such a way that the fish will swallow the hook before he knows he has anything but the worm. Once the hook is set, the more the fish pulls to try to get away, the deeper the hook fastens into him. Much more sophisticated equipment is now common, including artificial lures, rods and reels, and so on. Fishermen pride themselves on the techniques by which they lure the fish to his death.

### **Gaining Dominion Over Men**

Some men have devoted a great deal of energy and ingenuity, too, to gaining dominion over other men. Strangely enough, it appears that men are more susceptible to domination by force or the threat of force than are many animals. Since men are more intelligent than animals, they recognize a broader spectrum of dangers; their efforts to avoid injury often allow them to be dominated by the presence of force. At any rate, force usually has been used to some extent by those who would gain dominion over men. Quite

often, this use of force has been accompanied by a rationale and religious or social sanctions.

In America in the twentieth century, very subtle stratagems have been used to gain and extend control over men, the instrument of control being government. The necessity for stratagems can be found in the American outlook and the system of government. According to the general belief, Americans are free and are devoted to keeping and extending that freedom. Those who govern are not supposed to seek power over their fellow Americans, do not profess to want it, and would be loath to exercise it if they had it. Our lore has it that those in government are our servants and we their masters. Yet, government has vastly extended its control over the lives of the citizenry in the twentieth century. Those who have to face the assorted bureaucrats who exercise political power should have little doubt that the bureaucrats are the masters and we the servants.

This extension of government power has been subtly advanced, acquired, and exercised in ways analogous to capturing animals. The hook has been baited, the trap set with goodies, and the path to the pen strewn with morsels. The figure of speech commonly used to describe such tactics — one as-

sociated with English Fabian socialists—is the carrot and the stick. This suggests that we are led and driven along the way to subjection to the state—or to some collectivity—by alternate and judicious uses of the carrot and the stick. The phrase is graphic and appropriate, but the bait and the hook may be even more apt. The bait by which people have been led to take the hook of government power has often concealed the hook much better than a carrot conceals a stick. No matter what figure is used, the important point is that subtle stratagems have helped politicians and their spokesmen gain control over Americans.

### ***A Case of Urban Renewal***

For example, the political leaders of the community where I live are trying to get an Urban Renewal project underway. The inhabitants were surveyed to find out what they thought of Urban Renewal, among other things. A majority of respondents favored the participation of the community in Urban Renewal. Some, though opposed to such programs as Urban Renewal, said that since it was in operation, this community might as well get its share. The newspaper report of the survey gave no indication that those who felt this way were looking beyond

what they took to be the benefits of the program. They took the bait, apparently unaware of the hook it concealed.

Of course, the hook was there; a hook by which the citizens could be reeled in and brought under governmental power in new ways. Already the power is being wielded here, as in so many other communities. In order to participate in Urban Renewal, it is necessary for a municipality to have a building code, among other things. The code must be the one recommended by the appropriate agency of the Federal government, or one comparable to it. A permit must be obtained before projected construction can begin. A new structure must be a minimum distance from the boundary of adjoining land, must conform to various structural requirements, must have a certain minimum of electrical outlets, and so on. An official, or officials, of the local government is empowered to inspect structures and obtain their conformity to his interpretation of the code. Thus, what was once private property and the affair of the owner is brought under the control of political power which reaches back to Washington.

In this case, the hook was not baited with a live worm; an artificial lure was used. The notion that it is desirable for a commun-

ity to get its "share" of the Federal bounty passed out in Urban Renewal is not based upon anything substantial so far as the individual members of the community are concerned. That people would want their share would be understandable, even if deplorable, if the Federal largess were divided equally among the citizens.

### **Artificial Lures**

When a hook is baited with a worm, the fish that swallows it gets something. It is not so for most people with Urban Renewal. All taxpayers contribute to the support of it, but few reap any direct benefits. Someone who covets another's land may be able to induce the powers that be to confiscate it and sell it to him. Some of those in the construction business may be provided with building opportunities. Most of the citizenry get nothing, however. Some of them have their dwellings and businesses taken from them and torn down. They will be displaced from their neighborhoods and places where they do business. Many will suffer the inconvenience of not having familiar stores in which to shop, or the pressure of overcrowding that will occur. If new buildings are ever built to replace the old ones, all will, of course, receive the "social benefit" of viewing what some bureaucrat

has decided is architecturally congruous for that neighborhood. The government of the community in which I live does not pay dividends; "shares" of Federal bounty are not distributed among the citizens.

### **In the Transport Field**

Sometimes the bait is real, sometimes not, but the bait and the hook is a well-established practice of governments in the United States. It has been used for nearly a hundred years now. It may well be that the first uses were not intended as bases for extending government power, but those intent upon such extension have found the grant of any government favor a handy excuse for their purposes. One of the first major forays of the Federal government into the field was the granting of land and the making of loans for the construction of transcontinental railroads during and after the Civil War. States and local governments also granted various favors to railroad builders.

These grants and loans were not originally tied to any regulation of the railroads. But by the 1870's pressure was mounting for regulation, particularly in the Midwest. Initially, states began laying down rules for the operation of railroads within their borders. The 1880's brought Federal inter-

vention by way of the Interstate Commerce Act. Since that time, the railroads have been seriously regulated and interfered with by governments. They have been the subject of rate fixing, antitrust legislation, merger control, special legislation for employees, Interstate Commerce Commission and court decisions as to what services to provide, provisions regarding the issuance of passes, and so on.

The justification for this regulation has not been based primarily upon the special favors initially granted to railroads; this has been a subsidiary point in the argument for control. Instead, the main argument has been that railroads provide an important "public" service, that they are a sort of public utility. Yet, this is linked to the original justification for making the grants and loans, that is, that it was in the public interest to have the railroads built. The bait and the hook were joined together through this "public interest" justification.

Another bait used in transportation was (and is) the charter or franchise. The franchise is an old mercantilistic device for granting a monopoly, but in recent times it has served as the basis for extensive regulation. Street railways usually were developed by private companies which had franchises to do so. In the course of time, these

companies, which later supplemented or replaced streetcars with buses, were so intricately controlled that they could no longer make sufficient profit to stay in business. In many large cities today, the franchises have been taken over by agencies of the municipal governments, such as port authorities, and are operated at a loss. The bait was the franchise; the hook was the regulation.

### **Other Modern Interventions**

In the twentieth century, of course, this technique of extending government power has become a fine art. Labor unions are granted exemptions and special privileges, farmers are granted subsidies and special concessions, and businesses get government contracts. Banks get charters, the deposits of their clientele insured, and guaranteed mortgages. Schools get state aid and then Federal aid. Manufacturers are enabled to maintain high prices by selling their "surplus" to government for stockpiling. The aged get pensions and the young get aid to dependent children. Special loans are made available to those in certain categories who want to buy a home. Shipping companies and airlines are subsidized. Hospitals are built with the aid of government subsidies. Grants-in-aid are provided for states and municipalities.

Those of various skills and professions get licenses which entitle them to practice or perform and exclude those who do not possess such authorization.

The bait is tantalizing indeed. The force of government is used to attain for men and groups what they might not be able to obtain if they relied on voluntary methods. However well it may be concealed, the hook is always there. The bait may be nearly consumed before the hook is felt. Farm subsidies carry with them crop restrictions, allotments, and, on occasion, quality controls. Farmers lose significant control over the use of their land. Banks are subjected to government audits, the fixing of interest rates, and to various pressures from government agencies. In many ways, banks have become an arm of the government. Labor unions have to submit to "cooling off" periods before they can strike, are subject to the National Labor Relations Board, are generally forbidden to strike against government, and the day appears to be approaching when many of them will be forbidden by law to strike against private employers. Employers are subjected to arbitrary rulings by the courts and the National Labor Relations Board, and have, in many instances, lost authority over their employees. At

any rate, an individual employee may have to join a union to work at the job for which he is trained, may have to accept the decision of the majority of those in his industry as to whether he will work or strike, is subject to the courts and National Labor Relations Board as to what his "rights" are, and may be forced by government to work or lose his employment.

Recently, some aluminum companies decided to raise their prices. This conflicted with government policy; and, when the companies appeared to be determined upon their course, the Federal government announced that it would sell part of the aluminum in its stockpile. If this were children playing games, it would be appropriate to say that turn about is fair play. After all, the companies had been favored by the government purchase of aluminum in the first place. But this was an irresponsible use by government of money taken from the citizenry. Even so, it is an example of taking the bait and then getting the hook.

### ***Subsidized and Controlled***

Public schools have received the favor of monies from state and Federal government. In consequence, they have been subjected to progressively greater control by these governments. Not much has been made of the progressive

centralization of control over local schools by state governments, though it has gone on apace. Now, Federal control is following in this path. A magazine article pointed out the slipshod way in which those holding out the bait of Federal aid attempt to conceal the hook:

Those who favor federal intervention generally claim it is not intended to usurp the power of local school authorities to run their schools as they see fit. Federal aid legislation is almost always prefaced by such a disclaimer, as was the National Defense Education Act when it became law in 1958. Despite its statement that nothing in the Act "shall be construed to authorize any department, agency, officer or employe of the United States to exercise any direction, supervision or control over the curriculum, program of instruction, administration, or personnel of any education institution or school system" this Act goes on to set forth numerous regulations and standards which local schools must meet to qualify for federal assistance!

As one teacher said:

To get this money we have to accept and adopt the course of study outlined and specified by the federal government through the state department. We have to permit inspection trips by state employees who receive part of their money from the federal government. We have to hire teachers whose qualifications are ap-

proved by the same groups. We have to send our teachers to conferences designated by these authorities.<sup>1</sup>

Examples are too numerous to go into in detail. There is the intrusion into the lives of recipients of welfare checks by social workers. There is the portending control of medicine by the Federal government. There are the intricate regulations of radio, television, airlines, and shipping. There is talk of compulsory sterilization of repeaters among unwed mothers. There is the ubiquitous spread of government power into virtually every area into which it is preceded by favors.

### ***The Will to Resist***

Just as the fish drives the barbs deeper when he struggles against the hook, so, quite often, do those who resist government control find themselves subjected to greater force. Many businessmen have long since ceased to fight the extension of government power over them. Just as a wary fish might do, they try by gentle tugs on the line to get more leeway within which to operate, unaware that they are being worn down by their efforts and made ready for landing. Many businessmen have learned that if they resist, they

<sup>1</sup> "The Real Crisis in Our Schools: Federal Domination," *Nation's Business*, XLVIII (March, 1960), 59.

will be subjected to harassment, to threatened prosecution under the antitrust laws, to close examination of their income tax returns, to loss of government contracts, and to new regulations more onerous than the ones now applicable. Labor union leaders are beginning to feel the hook subject to threats that they either do voluntarily what government wants or be forced to do it. Any resistance by the medical profession is likely to be interpreted as an excuse for tightening control. Businessmen who read the hand-writing on the wall may know that if they do not "voluntarily" accept government guidelines for prices they will be subject to government-fixed prices.

Of course, there are aspects of the government's extension of favors and force to which the analogy of the fisherman with his bait and hook is not appropriate. The fisherman provides his own bait and tackle as well as his boat. The government, by contrast, provides its favors from money taken from the taxpayer by force or the threat of force. That is, our goods are first taken from us by government which then uses them to entice us into its orbit of control. Some do, of course, receive favors who paid no taxes; others receive more than they paid in. But the redistribution features do not al-

ter the nature of what is being done. We are getting hooked when we reach for the bait that was taken from us in the first place.

### **The Gradual Approach to Full-Blown Tyranny**

The above tactics are the American version of Fabian socialism. They are the means by which Americans are drawn step by step into what would be billed as socialism if we were being semantically honest. More precisely, it is the gradual development of statism. Each time some sucker reaches for the bait and is hooked, the power of government is increased. Each extension of government power by regulation, control, restriction, and so on is at the expense of the control by individuals of their own lives. This power is usually vested in the assorted members of an expanded and expanding bureaucracy, in independent commissions, in bureaus headed by cabinet members, in experts, in that numerous clan who make their living by deciding what prices others shall charge for their services, how many acres farmers can plant to what crop, whether train services shall be continued, what union shall be recognized by what company, the proper length for commercials on television, and so on *ad nauseum*.

These bureaucrats are tyrants,

but, oh, such petty tyrants! Men might fight a Genghis Khan, but it is difficult to know what weapons to use against men whose tyranny consists of arbitrary decisions about whether a railroad shall be permitted to discontinue a freight station in a hamlet of 200 people or not, whether each bathroom in a house must be vented or whether one vent can serve all of them, whether a new product shall be subjected to another round of testing or not, and so on. Prudent men hesitate to rush to arms to make war on mosquitos. Yet, when all the bits of petty tyranny are added, the total is a monumental tyranny which filters into every area of life.

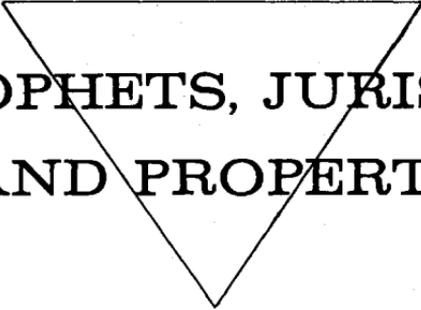
According to the lore of fishermen — not always the most reliable — some fish become unusually canny. There are stories, at least, of very large fish who survive in a limited area the attempts of

fishermen to catch them. At most, they only nibble at the bait; they cannot be snared by the hook. Whether or not there are such fish, I do not know, but the stories offer a valuable lesson for men. The best way — the only sure way — to avoid the hook is to refuse the bait. No sensible man today has any reason to doubt that Federal control will follow Federal aid, that government subsidies will be followed by government restrictions, that behind the attractive bait there are the ugly barbs of political power. Even the nibbler can be caught by the crafty fisherman, for such a fisherman tugs gently at the line to get the fish to jump at the bait and get himself hung on the hook. Men who seek dominion over other men in our day have become crafty fishermen. Only those fish are safe who refuse the bait. Only those people remain free who renounce governmental favors. ♦

#### IDEAS ON LIBERTY

#### *A Consequence of Compulsion*

WHEN THE LAW, by means of its necessary agent, force, imposes upon men a regulation of labor, a method or a subject of education, a religious faith or creed — then the law is no longer negative; it acts positively upon people. It substitutes the will of the legislator for their own wills; the initiative of the legislator for their own initiatives. When this happens, the people no longer need to discuss, to compare, to plan ahead; the law does all this for them. Intelligence becomes a useless prop for the people; they cease to be men; they lose their personality, their liberty, their property.



# PROPHETS, JURISTS, AND PROPERTY

WILLIAM J. PALMER

THE MOST distinguishing characteristic of the human being is his urge to amplify the natural powers of his body and mind by inventing and creating devices and by the acquisition, ownership, and dealing with property. Through both of these activities he enters into relationships with other persons, into the realm of negotiations, agreements, and contracts, into the status of bearing personal obligations and responsibility, and into the demands of management. He increases his understanding of other humans and his foresight; he develops a capacity for personal, independent judgment; he

learns the inevitable penalties for mistaken judgment and dishonesty and the equally inevitable rewards for good judgment and integrity. In summary, he grows in stature as a constructive, trustworthy being.

Out of this extension and enlargement of the person through the ownership of property and the related contractual activities come men and women qualified to do the big jobs, to carry the heavy responsibilities of our economic regime. For them we reserve one of the highest encomiums of our work-a-day lives and associations, namely, "His word is as good as his bond."

To cut off from the individual person the medium of self-extension and development provided by freedom to acquire and own prop-

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erty is to do damage to his person in analagous manner as cutting off an arm or a leg or destroying the sense of sight or of hearing would do to his body. It is an inevitable, logical result that to a mind that has suffered such damage, a mind molded in the philosophy and practices of communism, even a solemn treaty-contract carries no binding obligation, is only a device by which to buy time, to deceive or to gain some other advantage, a mere contractual form to be broken whenever to honor it would appear to be fraught with some disadvantage to the signing communist body.

#### ***The Law of Usefulness and Returns***

When we turn to the larger, composite, social aspects of private ownership of property, as exhibited in our business corporations, we are compelled, if we would be true, to acknowledge this fact: In the long pull, such privately owned property can and does serve its owners only and commensurately as it serves all the people. Even as to personal holdings, basic data compiled by the Internal Revenue Service justify the conclusion that at least 85 per cent of the personal wealth of our wealthiest citizens is in the active service of the general, total economy in the form of corporation capital, government bonds, invest-

ments in insurance, bank accounts and loans, paying wages, creating tools, building homes, and providing security for others.

These facts are joined by another: the natural and particular concern that the private owner has for the care, improvement, and usefulness of his own property. The brevity of that observation should not obscure the far-reaching vitality and effectiveness of its truth. When we substitute the politician dealing with other people's money for the businessman dealing with his own, the result is certain to be extravagance and waste and often corruption and failure. A thousand and more examples of this truth, from our own governments and from around the world, could be cited if necessary. But no knowledgeable person needs such proof.

These conjoined facts give to private ownership and management an exclusively distinctive endowment for benefiting the whole economic and social structure. They constitute what Adam Smith referred to as an "invisible hand" serving the best interests of society. To use a metaphor that conforms with modern science, these factors might be called the genes that have determined the magnificent posture and performance of our organisms of private property and private adventure, and the ab-

sence of which has determined the numerous failures of socialism and totalitarianism.

### **Modern Mythology**

This is a unique period in human history for thoughtful people to spend a while focusing their thoughts on the concepts of private property and ownership. Current in the world is the notion which, stated with the same generality as it usually is expressed, assumes that an intrinsic antagonism exists between property rights and human rights. The conflicting factors intended to be denoted by the slogans and shibboleths are, on the one hand, the ownership of property by individual persons, and, on the other, the well-being of all members of a society.

Not only are large national groupings of the world's peoples under the absolute domination of autocrats who profess to believe that this notion is true, but in our own country the shibboleth is commonly used, or truth is implied in it, by seekers and holders of public office, demagogues, socialists, and communists. Into the minds of thousands of school and college students the notion has been implanted by teachers and by influences organized and directed from outside the school grounds and campuses.

Perhaps we ought promptly to dispatch this proposition that property rights are inimical to human rights by pointing to the illogicality and/or the insincerity of its proclaimers and apologists. What *they* seek to obtain is property, either directly for themselves or to hold or control, with autocratic power of distribution and dissipation. Property delivered *to them*, property controlled by or for them, is their own barked guarantee of human rights and their one cure for a real or alleged absence of such rights. They, themselves, are the arch proponents of the fantasy that property is the panacea for the ills, ignorance, indolence, evils, confusion, and muddles of mankind.

Although it is quite proper in controversial dialogue to thus dismiss a current myth or fallacy, it is for us, rather, to think constructively and to try, at least, to express truths that can flow into the mental vacuum wherever it may exist. Let us examine anew certain premises that we usually assume *a priori*. What are the *genuine* human values in which we are or ought to be concerned?

### **These are Human Values**

The basic one, of course, is freedom. Lest there be misinterpretation or misrepresentation, let us substitute a term evolved in en-

lightened political and juristic philosophy, namely, "civil liberty." This term embraces all the familiar inalienable rights of man. No fact has been more convincingly proved by history and no conclusion is logically more unavoidable than this: civil liberty is impossible without the right and freedom of individual persons through their own efforts to acquire and own property and to have all authority in the management of the same as will not infringe upon the equal rights of others and as will conform with a reasonable exercise of police power by government.

When, by some governing power, individual persons are deprived of opportunity to acquire and to own property, they necessarily are dependent upon and are the liegemen of the power that claims to own all property and, having means of violence to enforce its claims, exercises the prerogatives of ownership — whether that power be king, feudal lord, or ruling persons bearing any vestment of authority. All are vassals of the king, be he robed, crowned, and on a throne, or a coterie of commissars or an assembly or bureau of government officials, when the control of all property has been usurped by that king through myth, general ignorance, custom, deception, violence, or election.

The destiny of liberty is the

destiny of the private ownership of property.

### "A Man's Castle"

Another human value of inestimable significance is the home, the house-home which, upheld by enlightened Anglo-American jurisprudence, is a man's castle, a place of refuge, and a place for privacy. But a man's home cannot be his castle, a personal fortress, unless he, himself, owns the right of possession, a right that he acquires through ownership of either the fee title or a leasehold. A paternalistic, all-owning government might provide him revocable shelter, but whether that be in a hovel, a crowded room, apartment, or a palace, he never can receive from it the gratifications and the human values, nor the security, that derive from himself being the owner and master of a home.

Probably no human value surpasses that of the man who loves the fertile soil and the useful and beautiful creations that grow from it, who presides over an area of ground of which he can say: "This is my own," and on which he can labor in the near-God enterprises of tilling, planting, harvesting, and animal husbandry, knowing that the fruits of his toil and the earth's fertility will belong to him. He is the lord of what has been called "a corner of tranquillity,"

wherein he knows the spiritual satisfactions of being a self-directed, free man. But no "corner of tranquillity" exists after predators, by violence or the inoculation of deceiving ideas, have stolen from individual persons their own and, through sneaking and violent devices of suppression, have closed the avenues for private ownership of property.

### **Control of Cultural Environment**

Another human value is one which no intelligent person, having once enjoyed, will surrender willingly: the value derived from being free to create the cultural environment to which he and his family will be exposed and within which, patterns of thought, taste, and character will be formed. This value derives not alone from respecting his own thinking and judgment, but from being free to pursue them in the selection of books, newspapers, magazines, furnishings and decor, works of art, radio and television programs, other forms of entertainment, religious institutions, and methods of education.

But this immeasurable human value can be had only when numerous individual persons are the respective private owners of numerous properties: newspapers, publishing houses, churches, schools, factories, radio and tele-

vision stations, theaters, mercantile establishments, banks and other financial institutions, and countless items of machinery and equipment.

The destiny of culture is the destiny of the private ownership of property.

### **The Means of Benevolence<sup>1</sup>**

No attempt is being made here to inventory all the human values that are made possible by and are dependent upon the private ownership of property. Yet another ought to be mentioned, because, although not the most fundamental, it is the crowning, irradiating capstone of the structure. It consists of the coexistence of benevolent impulses in the psyche of the individual person and his private ownership of the means by which to materialize those impulses in charitable giving. It is doubtful if many of us have a fitting appreciation of the manifold, far-reaching fruitfulness of that human value, although its personal gratifications have been widely experienced.

A reliable estimate based on various records is that in 1963 gifts made by citizens and institutions of the United States to

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<sup>1</sup> The data used in this section is taken from *Senior Scholastic*, December 9, 1964, p. 8 et seq. and 1966 *Reader's Digest Almanac*.

philanthropic causes amounted to more than ten billion dollars. The varied purposes of those gifts embraced immediate help to the needy; religious activities; education in many areas; projects in art, literature, and other phases of culture; health, medical, and hospital care; scholarships, fellowships, advanced studies and research, and explorations in science.

Out beyond the realm of records and statistics, in those areas where countless kind persons ask no credit and no acclaim, are the continuing, numerous, silent gifts of money and valuable things from one to another.

Of the more than ten billion dollars in traceable charity, gifts totaling nearly eight billion dollars were those of individual persons. More than 50 million volunteer, unpaid persons, including three million of America's business and professional leaders, gave of their time and energy to carry on the benevolent services involved and to do the soliciting and gathering in of the gifts.

Nearly half of all this giving of private property was done for the support of churches and church-related activities, including church-affiliated hospitals. Another 15 per cent of the gifts made possible such welfare and educational activities as youth organizations, Boy Scouts, Girl Scouts, and

similar programs, community planning for various phases of betterment, and projects for the prevention of juvenile delinquency.

Fifteen thousand foundations, endowed by gifts of private property, made possible major philanthropic enterprises by their contributions of 819 million dollars. Twenty-four of those foundations, the ones best known, having no purpose other than to promote through their benefactions the well-being and progress of human beings around the world, have assets of over six billion dollars.

The existence of numerous private schools and colleges, where independence of political controls and pressure groups can be retained, and religious and cultural ideals and disciplines can be maintained, is made possible only by gifts of private property. In the fiscal year, 1963-1964, 35 of the better known colleges and universities of our country received gifts totaling 343 million dollars. But numerous other colleges and universities received gifts. The total of all gifts of private property to education in one form or another in the year 1963 has been estimated to have been over one billion, seven hundred million dollars.

The contorted mind of the communist can only sneer at all this fruitage of human values from the private ownership of property. He

would, if he could, destroy all the benevolent foundations. He tells you that under his system no charity is needed, because the state, claiming to own all property, renders to each of its proletariat according to his needs. He does not tell you that a handful of tyrants decide what everyone needs. He does not tell you that in their philosophy and absolutism, the greater portion of what is accomplished by our private charity is deemed to be not needed, is poison and hallucinatory to minds conditioned and regimented by the tyrants. And he does not tell you that no socialist society ever has been able to satisfy the reasonable needs of its people.

### ***The Sum of Human Values***

All the human values which reasonably can be expected to benefit the race can be summed up in these words: a valuable human. Use of this term requires us to confront two antithetic ideas of value. To the power-hungry or glory-seeking despot, a person is valuable only if he is useful to the ruler's ambition. He is an enmeshed part of an apparatus. But to the enduring wisdom of reality, the valuable human is an individual, an honest, self-reliant, self-thinking, working individual, productive of useful things, useful ideas, or useful service.

It has been demonstrated time and time again that the incentives, opportunities, disciplines, and necessities provided by a regime of law-protected private property have no rival in producing valuable humans, no enduring rival in paternalism, socialism, or any kind of absolutism. If we needed more proof of this fact than exists in our own history, especially modern proof, we would find it in the prodigious recovery of West Germany from the ruins of World War II and in the seemingly miraculous achievements of the free Chinese of Formosa in rising from a war-caused desolation.

We are long overdue in the general indignation certain to result when we recognize the buncombe of the political medicine man and the swindle of the political gangster in their preachments and innuendo that an intrinsic conflict exists between human rights and property rights.

### ***Law, Scholars, and Kings***

The concept of private property and the laws that have been designed to implement and safeguard it were born of an instinct that manifests itself even in some areas of animal life, presumably below the level of humans. The relationship in this respect is like that which exists between the instinct of self-preservation and the many

laws designed to protect human life. These instincts are an expression of the wisdom and purpose of the intelligence behind all the phenomena of nature.

One of the most brilliant ornaments of man's efforts and achievements on our planet has been the considerable number of extraordinary minds who, as jurists and scholars of the law, helped to create the great legal systems wherein, among other achievements, the rights of private property in its numerous aspects were defined, classified, and protected. Not one of these pre-eminent legal scholars proposed the abolition of private property. The idea would have been anathema to them all.

Law in its inherent nature has profound depth and an affiliation with truth. It is not exclusive, but rather is universal, and it underlies and feeds the intuitive minds of the great who sincerely seek to know it. In medieval Germany a theory was prevalent among scholars of law that the whole body of the law had latent existence in the consciousness of the people.<sup>2</sup> Theoretically this concept is true if we think of law in its only justifiable function, and if we regard as temporary and counterfeit the misguided dictates of authoritarian holders of political power. And if

this true concept were self-executing, if it had any means of enforcement, no people in the world today would be governed by communists, and none would be beguiled by those who would destroy the rights logically incident to the private ownership of property.

Yet a majority of the world's people today do live under totalitarian regimes wherein any rights of private property that may apparently or actually exist do so only precariously and without firm fixation in dependable law. This state of affairs is not modern, except only that it now exists. It is older than recorded history.

The earliest legal system which, in juristic thinking, can be recognized as a system, was that of Egypt, established about 6,000 years ago and surviving for about 4,000 years.<sup>3</sup> An underlying theory of this system was that every square yard of land and every person within the kingdom were the property of the king. The king was also the sole legislator. But overlying that foundational principle was a superstructure of private rights, including contractual rights and private ownership, conferred from above, with laws governing marriage contracts, deeds of lands and houses, leases, sales,

<sup>2</sup> Englemann, *History of Continental Civil Procedure*, p. 145.

<sup>3</sup> John Henry Wigmore, *A Panorama of the World's Legal Systems*, Vol. 1, pp. 11-41. This work is authority for other historic data stated in the essay.

wills, and numerous other transactional instruments such as are familiar in an advanced society. To enforce these rights and the king's laws a judicial system existed. It embodied high ideals of judicial qualification and some enlightened principles of justice.

We should take thoughtful note of this Egyptian principle of universal ownership residing in the king, for in probably the most extraordinary atavistic regression in history, we are headed and have gone a long way in that direction — we, a people whose government was founded on the principle that certain inalienable rights, including the private ownership of property, were vested in each of us by our Creator. No one can be quite sure who today's king is, whether the people, the President, Congress, the Supreme Court, the political party in power, the monarchs of labor unions, the theorists of totalitarianism, or a verbalized society.

### **The Meaning of Ownership**

At this point one example will suffice. But first we should ask ourselves what we mean, and what have constitutions and laws meant, by the term ownership. Certainly two essentials of the concept are dominion and exclusiveness — at least in some substantial measure. Without these

factors the private ownership of property would be a delusion, its prime function being to place a mask of justice upon the collection of taxes.

Over 100 years ago, 100 years nearer the concepts of the Federal Constitution, a law dictionary quoted by the highest court of New York defined property as "the highest right a man can have to anything," as a term "used for that right which one hath in lands and tenements, goods and chattels, which in no way depends on another man's courtesy."<sup>4</sup>

Nearly 100 years ago, the California Legislature dictated this typical definition into its Civil Code (sec. 654):

The ownership of a thing is the right of one or more persons to possess and use it to the exclusion of others.

That enactment was supplemented by another law (Civil Code, secs. 678. 669):

The ownership of property is either absolute or qualified.

The ownership of property is absolute when a single person has the absolute dominion over it, and may use it or dispose of it according to his pleasure, subject only to general laws.

<sup>4</sup> *Jacob's Law Dictionary*, quoted in *Stief v. Hart*, 1 N. Y. Reports, (Comstock), pp. 20, 24 (1847), New York Court of Appeals.

Both of those laws are normal expressions of an enlightened jurisprudence and neither of them ever has been modified, repealed, declared unconstitutional, or directly adulterated.

Another typical pronouncement of an advanced sovereign is this edict of the California Constitution (Art. 1, Sec. 1):

All men are by nature free and independent, and have certain inalienable rights, among which are those of . . . acquiring, possessing, and protecting property . . .

It never has been even hinted that this avouchment violates the Constitution of the United States.

In 1944 four of the ablest justices ever to serve on the Supreme Court of California joined in this official pronouncement:

It is a principle of universal law that wherever the right to own property is recognized in a free government, practically all other rights become worthless if the government possesses an uncontrollable power over the property of the citizen.<sup>5</sup>

Government, as referred to in this lucid statement, of course, in-

<sup>5</sup> *House v. Los Angeles County Flood Control District*, 25 Cal. 2d 384; 153 P2d 950 (1944); Supreme Court of California. Opinion written by Justice Jesse W. Curtis, concurred in by Justices John W. Shenk, Phil S. Gibson, and B. Rey Schauer.

cluded the courts. The pronouncement never has been repudiated or adulterated.

### **Brothers in Bond**

Having thus reminded ourselves of the meaning of ownership, we can better appraise the example of regression previously mentioned.

A judicial decision momentous and epochal in United States history was that of the Supreme Court in the case of *Wickard, Secretary of Agriculture v. Filburn*, delivered in 1942 and reported in 317 United States Reports at page 111. The decision dealt with an Ohio farmer who maintained a herd of dairy cattle and raised poultry. His income was derived from selling milk, poultry, and eggs in the local market. It was his practice to grow a small acreage of winter wheat mainly to use on his own farm for feed, for homemade flour and seedings for the next crop. It would appear from the story that in some past year or years he had sold a portion of his small wheat crop not needed on his own farm; but no evidence existed that any of the crop in question was sold or intended to be sold or in any way to be placed on the wheat market.

Acting pursuant to the Agricultural Adjustment Act, the gov-

ernment ordered that he plant only 11.1 acres in wheat, to produce 20.1 bushels an acre. He planted 23 acres in wheat, and from the forbidden use of 11.9 acres he harvested 239 bushels. For that crime he was fined 49 cents for each forbidden bushel, a total fine of \$117.11. The penalty was upheld by the United States Supreme Court as being perfectly in harmony with the Constitution. With that decision came one of the most truthful and potential confessions ever made by government, the court saying (page 131 of 317, United States Reports): "*It is hardly lack of due process for the government to regulate that which it subsidizes.*"

Summing up the juristic effect of that and other court decisions, an eminent encyclopedic legal work, *American Jurisprudence*, says:<sup>6</sup>

There is authority for the rule that one taking the benefit of a farm aid statute, or anyone claiming under him with actual notice, is estopped to deny the validity of the statute, the applicability of its benefits to him, or the regularity of the procedure in granting him aid thereunder.

And so it has come to pass that the American farmer, although his deed purports to grant him fee title to his farm, actually is vested

with no greater degree of ownership, and probably less, than was held by his Egyptian counterpart of 6,000 years ago. As it was with the ancient Egyptian, so it is with him: his "bundle of privileges" are in the superficial, not the basic, area of ownership. But lest sympathy be wasted, it should be noted that this American farmer compositely, although with individual exceptions, voluntarily and happily relinquished his ownership for profit.

On second thought, however, perhaps we should have both sympathy and concern for him because of the disappointments that have come to him and the danger of his position in the long pendulum swings of time. We are told that his debts have increased in the last five years from 27 to 41 billion dollars, some portion of which, no doubt, reflects capital investments; and that in the same period 3,200,000 farm families have renounced their farms and farming.

### ***Timeless Lawgivers***

Commencing with the ancient civilization of Mesopotamia, the land between the watersheds of the Tigris and the Euphrates rivers and centered in the city of Babylon, we can follow an intermittent chain of law-making which, in its intent to define,

<sup>6</sup> *American Jurisprudence* 2d, Vol. 3, pp. 773, 774.

direct, and protect the rights of private property, denies to us of today any just sense of pride in our own juristic performances.

The legal system of Mesopotamia dates back about 6,000 years, and, about 4,000 years ago, reached an apex in the reign of King Hammurabi, whose code of laws still stands as a monument of intelligent, extraordinary achievement in law and the concepts of private property. In this land, commerce, banking, and judicial proceedings were highly developed, and laws existed that recognized in detail, guided, and protected private contractual and property rights, relating to deeds, leases, loans, promissory notes, sales, bank deposits, bills of lading, agency, partnership, and the many transactional instruments and private rights involved in an active, communicating, competitive society.

The most concise and most famous law recognizing, and designed to protect, the rights of private property was delivered about 3,000 years ago. It was one of the Ten Commandments, a foundation stone in Hebrew history and Hebrew law:

Thou shalt not steal.

But knowing that laws do not enforce themselves, that if they are to have life and impetus, they

must abide in the conscience of the people, the author of the Decalogue, whether prophet or God, supplemented that terse commandment with another:

Thou shalt not covet thy neighbor's house, thou shalt not covet thy neighbor's wife, nor his manservant, nor his maidservant, nor his ox, nor his ass, nor any thing that is thy neighbor's.

And when the enlightened and powerful teacher from Nazareth delivered his message to the people of his land, he clearly sanctioned those laws in these words:

Think not that I am come to destroy the law, or the prophets: I am not come to destroy, but to fulfill. For verily I say unto you, Till heaven and earth pass, one jot or one tittle shall in no wise pass from the law, till all be fulfilled. (Matthew 5:17,18)

In addition to the plain, specific statements of that utterance, it carries two implied truths, without the knowledge of which there can be no wisdom in the business of law. One has been stated: that laws do not enforce themselves. The second is that government always is of men, never of law. Astonishing as the fact may be to us, this truth was an articulated principle of Chinese law in regimes that began 4,500 years or more ago and continued in similar legal framework for more than 4,000

years, always recognizing the rights of private ownership, and providing rules, methods, and moral principles for contractual transactions.

### **The Classical Respect for Private Ownership**

Among the many contributions of the Greeks to our culture were patterns of legislation in which were clear, precise recognition of private property rights, provisions for their protection, laws governing inheritance and defining the methods of numerous transactional instruments and the rights involved. The most noted of the lawmakers was Solon, Athenian statesman who lived about 600 years before Christ. One of his laws concerning theft reflects the conscience of the age and place in relation to the rights of ownership. It provided that if the owner of a stolen article recovered it, the thief was condemned to pay twice its value; if the article was not recovered by the owner, the thief's penalty was to pay tenfold the value and, if the jury so determined, to be confined in the stocks for five days.

Over a thousand years later, the achievements of the Greeks in defining and protecting private property and contractual rights were equalled, if not surpassed, by Mohammedans, whose creed and

legal system, within about a hundred years after the Arabian prophet's death, had spread across an area from India to Spain. The law of this Islamic empire was derived from the Koran, the words and conduct of Mohammed, and the writings of jurists who belonged to the faith. One of the reported sayings of Mohammed was this:

I swear by God that if Fatima my daughter were to be found guilty of theft, then I would have her hands cut off.

Before turning our attention to the greatest lawmakers of all, the Romans, let us skip ahead in time to have a look at one of the strangest dichotomous characters of history, the Mongolian conqueror, Tamerlane, known also as Timour. By about the beginning of the fifteenth century, he had become the ruler of much of Asia, India, and all Asia Minor. As cruel and murderous in war as communists are in pursuit of their aims, he was an able and even a kindly ruler in peace, doing much to promote art, science, and intelligent law in his dominions. Of him the noted English historian, Edward Gibbon, wrote:

Timour might boast that, at his accession to the throne, Asia was the prey of anarchy and rapine; whilst

under his prosperous monarchy, a child, fearless and unhurt, might carry a purse of gold from east to the west.

Such an experience would be a supreme test today of law in its protection not only of private property, but of children.

### **The Everlasting Contribution of Rome**

The story of Rome is known at least in a general and fuzzy way to every well-educated person. But few appreciate the magnitude and penetration into many lands of the Roman contribution to jurisprudence, which, among other accomplishments, defined, guided, and protected private rights in property and contracts in the various activities and transactions of an energetic people.

Let it suffice here to mention only a few of the Roman jurists whose names never will be forgotten by genuine sages of the law.

Gaius wrote his treatise, *The Institutes*, in the second century, A.D. The work was then original in its method of classification and generalization whereby he constructed a comprehensive system of juristic principles. It was used as a textbook for students of law in a number of countries for three centuries after the author's death, about 200 A.D. This is an example of his style and concepts:

Things subject to human dominion are either public or private.

Things public belong to no individual, but to a society or corporation; things private are subject to individual dominion.

It was Ulpian, the Counselor, who at about the beginning of the third century wrote 23 treatises on law and gave us a definition of justice which never has been improved:

Justice is the constant and perpetual will to allot every man his due.

Justinian I, at Byzantium, Emperor of the Eastern Roman Empire, in the sixth century undertook direction of the task of organizing and greatly reducing in wordage the Roman law, employing a commission of seventeen jurists headed by one said to be the most learned man of his time, Tribonian. Three works were produced, the *Digest*, the *Code*, and the *Institutes*, of which the *Digest* was the most famous and the most influential through many different eras and cultures. Although with the fall of the Roman Empire, the *Digest* disappeared for five centuries, one complete and reliable copy then was found, and it has influenced the jurisprudence of many lands and centuries. These words from the first chapter of the *Digest* have been translated into various languages:

Three things the law enjoins upon all: to live honestly; to cause no vexation or harm to another; and to render to every one his due.

No more just, practical, and expedient principles to govern the private ownership of property ever have been conceived.

### **The Trail of One Great Work of Law**

We can follow the development of modern law in Western Europe and the British Isles, before the blackouts by totalitarian despots, by following the trail of Justinian's *Digest*, one of the best-selling books for some years after the art of printing was mastered. This is so not because the *Digest* was the sole influence and pattern, but because it was amalgamated with local customs and systems, always recognizing, defining, and protecting rights of private contracts and property.

Disregarding the chronology, the trail would lead us to France and the *Code* of Napoleon, a work that has been translated into almost every language and has influenced the world. Concerning it, Napoleon, in exile at St. Helena, said:

My glory is not to have won forty battles; for Waterloo's defeat will destroy the memory of many victories. But what nothing will destroy, what will live eternally, is my *Civil Code*.

The trail, with legal scholars from Italy often leading or following, would take us to Austria, Bohemia, Serbia, Germany, Poland, and the British Isles, and finally to America and all the English settlements insofar as Justinian's *Digest* played a role in the design of the English Common Law, mainly through the studies and writings of such prodigious scholars of law as Bracton, Chief Justice Littleton, Coke, Bacon, Selden, Mansfield, and Blackstone.

### **Modern Destroyers of Private Property**

It would seem that one of the most difficult or unattractive or disagreeable things for human beings to do, even in the presence of history's judgments, is to heed the advice of the Apostle Paul: "Prove all things; hold fast to that which is good."

Among the destroyers of private property and the privileges of private ownership, two of the wreckers do not here call for our concern. They are (1) acts of fortuity and (2) negligence. Although either can be disastrous to the individual, in their general consequences they are of minor significance compared with two others. Our brilliant, comprehensive programs of insurance, privately conceived and executed, and our personal accomplishments in mechanics, engineering, and all realms of

science, have been alert to and diligently encountering these minor destroyers.

But two others, crime and government, of which the latter is the more dangerous, do demand our thought and vigilance, lest private ownership of property becomes only a nominal superficiality while continuing to carry the responsibility for management and care, and the burden of financing the government.

It is reasonable to conclude that a relation exists between the increase in crime, now a menace to every person, and the government's increasing attacks upon and subversion of private rights in property. When government does not respect, and ceases to have concern for, those rights, the atmosphere thus created is in accord with and supports the criminal's philosophy.

The reported fact that in one year's time 10,000 trays, 2,000 salt and pepper shakers, and nearly 1,200 sugar dispensers disappeared from the Pentagon's cafeterias and snack bars, is, no doubt, a minor indication of an atmosphere created by government not fearfully charged with integrity and discipline.

It does not seem possible to arrive at an accurate estimate of the total property losses suffered by our people resulting from crime:

from robbery, burglary, embezzlement, fraud, confidence-trickery, vandalism, malicious mischief, arson, and theft of all kinds and dimensions: from a woman's purse and a store's merchandise to costly jewelry, furs, money, bank robberies, trade secrets, drug cultures, secret formulas, and lifetime savings.

An estimate probably well supported by facts is that crimes against the ownership of property have been increasing at a rate four times as great as the rate of population increase. But crime takes vastly more from the citizenry than the immediate losses. Money needed for law enforcement, investigation, courts, court proceedings, institutions of confinement, punishment, and treatment is derived from private property.

#### ***The Alert Citizen's Three Questions***

But the potentials of private crime for separating property from its owners and for destroying property and the privileges of ownership are piddling compared with the potentials of government for like effects. An alert citizenry will ask these questions of its public officials:

1. Is there a point beyond which, when public officials take your money through the entrusted power of taxation and hand it over to

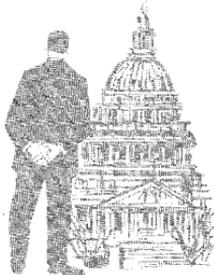
others without consideration, without justice, and without intelligent mercy, they violate the eighth commandment: "Thou shalt not steal"?

The answer to that question, of course, is "yes," unless through miseducation, suppression of news and guileful propaganda, or just being dull, we have retrogressed to the ancient belief that the king can do no wrong.

2. Is there a point beyond which public officials cannot go in causing inflation through their fiscal, money, paternal, and foreign policies, their extravagances, subsi-

dies, gifts, and favoritisms, thus destroying substantial value in everyone's money and in the lifetime savings of industrious, thrifty, and exemplary citizens, without committing theft and without violating the elemental commandment of justice: "Thou shalt render to every person his due"?

3. What are the authoritative decisions of our government officials — legislative, judicial, and executive — doing to the once recognized rights of private ownership, and on what fateful course are we bent? ♦



## THE PRESS and THE PEOPLE'S RIGHT TO KNOW

JOHN C. MERRILL

THE IDEA is prevalent today, at least among journalists, that the people of the United States have a *right* to know government business. Although there are various segments of our society, including many in the government apparatus, which seemingly do not endorse this "people's right to know,"

it has been generally accepted as a basic concept in our democratic Republic. If the people *rule* through their representatives, then it naturally follows that if they are to be well-informed, intelligent rulers, they must know what their government is doing. In this sense, "the people's right to know" is on solid theoretical ground.

What is rather disturbing about

the whole matter of the "people's right to know" is the idea that the government apparatus is solely — or largely — responsible for restricting this *right*. There is no doubt, of course, that government is secretive, is over-sensitive, and is restrictive of information. It is also clear that government "manages" the news, making sure certain releases are made at the right time to achieve a desired effect and de-emphasizing (or eliminating) certain other information about which it is not enthusiastic. Everyone who can read in this country should know about this government secrecy, sensitivity, and management. The mass media of communication, with a certain sensitivity of their own, periodically draw the public's attention to it.

The concept of "the people's right to know" has mainly been promoted since World War II; books such as Kent Cooper's *The Right to Know* and Harold Cross' *The People's Right to Know* and numerous articles have been printed declaring such a "right" and castigating government for infringing on it. No libertarian can but admire and applaud such anti-government broadsides, but the problem is much larger than this. And it cries out for a solution which is not so simplistic as blaming the government — or even "reforming" it.

### **Do People Care?**

Two other important factors are involved in this business of letting the people know: the *people*, and the *press*. How often they are overlooked in a discussion of this area!

Quite frankly, the people either don't know they have such a right, or they don't take it seriously. It appears that they simply don't care. Such a right to know is certainly one of great importance — a civil right if there ever was one. But where is public concern? Where are the "demonstrations," the letters to congressmen — even the letters to newspapers and magazines? Why has not the Supreme Court, under popular pressure, dealt with this infringement of a civil right? Why, indeed, do not the citizens (the *people* who have this theoretical right) *insist* upon it?

The only segment of our society which seems really concerned about the *right* is the press — the editors and publishers chiefly. They criticize, agitate, and fret about the "people's right to know" being infringed on by government. In effect, they imply that government alone keeps the people from "knowing" government business. But this is not really true. What about the news media themselves? What are they doing in this respect? Any person familiar with the typical news operation must recognize

that only a very small portion of government-related information gets to the average citizen's eye or ear. So in effect, the news media are guilty themselves of the same sins of omission and commission they point to in government.

The editors select and reject government information. They leave out this story, that picture, this viewpoint. They play up this speech, trim that one and put it on page 44, leave that one out completely. In effect, they act as *censors* — perhaps with the best of motives — but censors nevertheless. They “manage” the news, also, just as government officials do. They play their parts, too, in the restriction of the people's right to know. Of course, they would not put it so bluntly, preferring to call it “exercising their editorial prerogative.” *They* are “editing”; the *government* people are “managing” and “restricting.”

### ***Much News Is Wasted***

While the editors and publishers are bemoaning the fact that they cannot get enough news from government, their underlings (or they themselves) are filling wastebaskets in the newsrooms with government news of all types. For years I have been trying to get one of my graduate students to do a content analysis of the newsroom wastebaskets instead of the

newspaper's pages. Such a study should be illuminating, and I am sure would show that the newspapers *do have* abundant information about government, but which is not being printed. Admittedly, much of this material is not “newsworthy” (and this is as subjective as what a government man might label “classified”) and should not be used, but the fact remains that it is not being given to the people who have a right to know it. (Loud cries of “space limitations!” at this point.) In spite of various rationalizations, it does appear that if the press is seriously concerned about the right of the people to know about government, it will increasingly point its finger at itself. And instead of complaining in a multitude of books and articles about the news that is not forthcoming from government, it might be well for the press leaders to concentrate on giving their readers a larger and more realistic sample of the news which has been obtained from government.

One who observes the editing operations of a newspaper is struck by the swiftness with which government news is discarded and selected. And, when the wastebaskets fill with the information which the people should be reading, it will be noted that there are few tears and practically

no gnashing of teeth. It is as if these practitioners of journalism dissipate the communication output relative to government without even realizing that they, like the government officials they often criticize, are "managing the news" and keeping back information which, in their own words, "the public has a right to know."

### **Room for Improvement**

To avoid being misunderstood here, let me emphasize that the government is far from guiltless in this matter, and its villainry is undoubtedly more sinister than its critics believe. But it has its day in court; if its sins are legion, its accusers are certainly as numerous. The press, however, the main critic of government, usually throws rocks with impunity from

its sanctified glass house. My contention is, I suppose, that the press should stop throwing so many rocks at government and start throwing more government information at the public.

Although the government is guilty in this area, so is the press. It is time for the press to recognize that it is as much obligated *to get* government information for the people and *to print it* when it's gotten as the government would be obligated to *give it out*. Perhaps if some press critics of government recognize that they indulge in the same practices they condemn in government, they will change their ways—or will at least revamp their one-sided and unrealistic definition of "the people's right to know." ♦

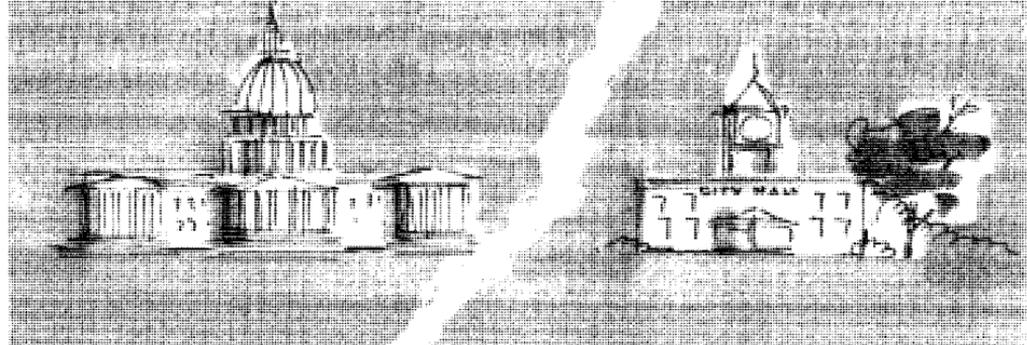
## IDEAS ON LIBERTY

### **Reward or Punishment**

(A LESSON IN RELATIVITY)

IN A SOCIETY where the highest reward for good citizenship is to be government care from cradle to grave, should not the penalty for bad citizenship require the criminal to stand on his two feet and assume responsibility for his own welfare as a free man?

PAUL L. FISHER  
Redondo Beach, California



# AMERICAN FEDERALISM: EROSION

GEORGE CHARLES ROCHE III

ALBERT J. NOCK once commented, "There must be as many different kinds of democracy in this country as there are of Baptists. Every time one of our first-string publicists opens his mouth a 'democracy' falls out; and every time he shuts it, he bites one in two that was trying to get out." One of the difficulties that has arisen to aid and abet the erosion of our American tradition of federalism is this very problem concerning the definition of democracy. Since we are all "the people," it is not surprising that we all think that the "rule of the people" is a good idea. But when we come to discussing what we mean by the "rule of the peo-

ple," we find it a little harder to agree.

This is a problem of definition deeply rooted in the American political past. Thomas Paine stated one side of the case quite simply in *The Rights of Man* when he said, "That which a whole nation chooses to do, it has a right to do." John Quincy Adams answered this attitude drawn from the French Revolution when he replied to Paine in a series of articles published in a Boston newspaper in the summer of 1791. Defending the American tradition of federalism and limited government as it had developed, Adams warned in his *Letters of Publicola*: "This principle, that a whole nation has a right to do whatever it pleases, cannot in any sense whatever be

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admitted as true. The eternal and immutable laws of justice and morality are paramount to all human legislation. The violation of those laws is certainly within the power, but it is not among the rights of nations. The power of a nation is the collected power of all the individuals which compose it. . . . If, therefore, a majority . . . are bound by no law, human or divine, and have no other rule but their sovereign will and pleasure to direct them, what possible security could any citizen of a nation have for the protection of his unalienable rights? The principles of liberty must still be the sport of arbitrary power, and the hideous form of despotism must lay aside the diadem and the scepter only to assume the party-colored garments of democracy."

As Edmund Opitz put it several years ago in *THE FREEMAN*, the problem of political power is contained in the answer to not one question, but two. What shall be the government's scope? And who shall rule?<sup>1</sup> We have long since decided in this country that the answer to the second question is that the majority of the people shall rule. But this still doesn't answer the first question as to what the scope of that authority should be.

The confusion in categories between these two separate questions has served to obscure the fact that the exercise of excessive power is objectionable not only when perpetrated by a king-directed government, but also when perpetrated by a people-directed government. Despotism becomes despotism because of the nature of the act rather than the nature of the actor.

### ***Equal in Slavery***

One of the early analysts of the American experiment in self-government, who saw much to approve in the system as it unfolded, warned Americans that a majority could be even more tyrannical than the most absolute of European monarchs. Tocqueville speculated that if Americans ever confused equality of opportunity with equality of condition and then used their new found political power to enforce equality of condition, the tyranny of the majority would indeed become a reality. He warned, "Americans are so enamoured of equality they would rather be equal in slavery than unequal in freedom." Tocqueville had in mind the unchecked "general will" view of democracy espoused by Rousseau and implemented in the French Revolution. The modern totalitarian states have carried this tendency to its ultimate con-

<sup>1</sup> The Rev. Edmund A. Opitz, "The American System and Majority Rule," *THE FREEMAN*, November 1962, pp. 28-39.

clusion by exercising their despotism in the name of "the people" and clothing their institutions in the fullest democratic trappings; for example, "democratic centralism" in the Soviet Union, presumably democratic since it is done in the name of the people, and central in the sense that the government tells the people what to do. In the words of C. S. Lewis' *Screwtape*, " 'Democracy' is the word with which you must lead them by the nose." *Screwtape* goes on to suggest that mankind must never be allowed to ask Aristotle's question: "Is 'democratic behavior' behavior democracies like, or behavior that will preserve a democracy?" *Screwtape* suggests that the final triumph over man will come when the meaning of democracy has been perverted to mean "I'm as good as you."<sup>2</sup>

If "I'm as good as you" is to be enforced as a principle of political authority, then, indeed, right and wrong are what the majority says they are. In the words of Edmund Opitz, "the antithesis of *majority rule* is not *minority rule* but liberty." Liberty presupposes an individual self-rule based upon the assumption of human dignity derived from man's identity as a creature of God. It is when this

principle of human dignity is violated that democracy merges into socialism. What need is there of God or heaven or individual self-rule if the government is to be omnipotent and to provide a heaven on earth? Socialism as Hegel defined it is quite literally "the kingdom of God without a kingdom and without a God."

### **Totalitarian Controls** **"for the Good of the People"**

Once the basic error is made that anything is all right so long as the people want it, it is a small step to believing that anything is desirable so long as it's "good for the people." "Of the people" very quickly becomes "for the people" whether they like it or not. The twentieth century has seen the development of the completely totalitarian state that justifies any barbarism in the name of the ultimate good of the people. But it has also seen the development of the same idea in the mainstream of Western civilization where we have prided ourselves on being, so we thought, most completely non-totalitarian.

Robert Michels, Graham Wallas, and Walter Lippmann, all products of the enlightened twentieth century and all eager to announce how antitotalitarian they are, have also emphasized what they call the "irrationalism" of democracy, ex-

<sup>2</sup> C. S. Lewis, *The Screwtape Letters* (New York: Macmillan Co., 1962), pp. 161-62.

pressing a preference for an elite corps to run things in the name of the people. It need scarcely be pointed out that such a view of democracy is anything but the rule of the people, that on the contrary the wisdom of the people and their self-rule consists in making decisions on a level close enough to them to retain perspective, firsthand knowledge, and control of their own affairs. As we have seen, it is precisely the diffusion of decision-making power inherent in the tradition of American federalism that has most nearly achieved a genuine rule of the people.

Here again, Tocqueville early saw the nature of the problem and warned that "democratic socialism" was a contradiction in terms. Democracy is an essentially individualistic institution and therefore in irreconcilable conflict with socialism: "Democracy extends the sphere of individual freedom; socialism restricts it. Democracy attaches all possible value to each man; socialism makes each man a mere agent, a mere number. Democracy and socialism have nothing in common but one word: equality. But notice the difference: while democracy seeks equality in liberty, socialism seeks equality in restraint and servitude."<sup>3</sup>

### ***The State Absorbs Society***

If the distinction may be made between the state and a society, that society is a composite of the actions and institutions of individuals in areas where the state is not concerned, then it may be said that it is the vice of the Rousseau, French Revolution, "general will" approach to democracy that ultimately the state absorbs society. At the same time, it is the virtue of the American tradition of federalism that it erects barriers to prevent that absorption.

The absorption of society by the state may be measured within our own Republic in the history of the centralization of power that has occurred. The late eighteenth and early nineteenth centuries were a consistent demonstration of the strong determination of the American people and its leadership to avoid undue centralization of political authority. Whatever political infighting occurred during the presidencies of Washington, Adams, Jefferson, Madison, Monroe, and John Quincy Adams, a common agreement on this point was tacitly observed. Some historians have suggested that a break in this continuity came in the age of Jacksonian democracy. But in actuality, the Jacksonian, middle-class entrepreneurs were interested not in the limitation but rather in the extension of social

<sup>3</sup> *Complete Works of Alexis de Tocqueville* (1866), IX, 546.

mobility and economic opportunity. They resented monopoly power wherever it might appear, but especially in government.

### **Sacrificing Principles**

Yet between North and South, an issue was building that some men foresaw as a danger to this American concept of limited and diffused power. Long before the Civil War, John Randolph warned: "The people of this country, if ever they lose their liberties, will do it by sacrificing some great principle of government to temporary passion. There are certain great principles, which if they be not held inviolate, at all seasons, our liberty is gone. If we give them up, it is perfectly immaterial what is the character of our sovereign; whether he be King or President, elective or hereditary, — it is perfectly immaterial what is his character — we shall be slaves — it is not an elective government which will preserve us."<sup>4</sup>

Randolph spent his life insisting that power must be limited, and that the surrender of power to a centralized administration was all too often a one-way street. As he once commented, "Asking one of the states to surrender part of her sovereignty is like asking a lady to surrender part of her chastity."

Northern opponents of the institution of slavery, such as John Quincy Adams, also recognized that even such a moral evil as slavery must be allowed to die from its own economic weaknesses rather than be killed with a weapon forged by a great centralization of national power.

But with the passing of the older generation, a new breed, the direct ancestor of the modern social reformer, appeared on the scene. Such abolitionists as Senator Sumner, Wendell Phillips, and William Lloyd Garrison were so assured of their own moral rectitude and their capacity for running the affairs of all mankind, that they were willing to gather and exercise any amount of power to pursue their goal. Perhaps it is such men that Ambrose Bierce had in mind in *The Devil's Dictionary* when he defined a conservative as "a statesman who is enamoured of existing evils, as distinguished from the liberal who wishes to replace them with others."

Even the coming of the Civil War demonstrated a basic acceptance of the American federal tradition on the part of most Americans, both North and South. Yet, there can be little doubt that some "progress" was being made toward the kind of centralization that could ultimately prove harmful to

<sup>4</sup> *Annals of Congress*, 12th Congress, 2nd Session, pp. 184-85.

the American federal tradition. Some advocates of states' rights have a valid point when they suggest that the passage of the Fourteenth Amendment opened the door to changes in our federal system.

Yet the greatest impact upon the American tradition of federalism that occurred in post-Civil War nineteenth century America probably sprung from the one-party domination that was in effect almost without interruption until the twentieth century. Nationally, the Civil War had produced a monopoly situation for the Republican party. In the repressed and resentful South, local politics came to be a monopoly of the Democratic party. Even some places in the North (for example, Boss Tweed's New York City) came also to be Democratic backwaters due, in large part, to the reaction against the monopoly situation of the Republican party in national politics. The age of machine politics thus stemmed from an undue centralization of political control.

### **Monopoly in Political Power**

One-party domination of American political life, of course, robbed the Republic of that flexibility and variety that had traditionally been its strength, producing in effect the very sort of monopoly

situation in political power that our tradition tries so hard to avoid. A time of tremendous building in industry, communication, and transportation across our rich American continent followed the war. Yet something else came with this building. The story of the spoilsmen in politics and the exploiters in economic life working hand in glove to take the American people for a ride is so well known as to be a commonplace.

Advocates of centralized authority and economic control in the twentieth century look back to the so-called era of Reconstruction and Big Business to point out its evils with great glee and to suggest that those evils are a *prima facie* case for the necessity of more political control of business. The very reverse is actually the case. It was a monopoly of political power, and an exercise of that power by one element of society, that did the damage.

A half-century of abuses stemmed from this monopoly situation. Boss Tweed and Jim Fiske were all too symbolic of their era. The people began to grow restless in the face of a repressed South and an all-too-often exploited North and West. A generation of reformers began to grow up who misread the problem as one of too little political power rather than one of too much political power.

The late nineteenth century saw the rise of more and more political protest in the Granger Movement, the Farmers' Alliances, and the Populist Party. The candidacy of William Jennings Bryan in 1896 caught up this protest in a single great crusade composed of all sorts of dissident elements. Even then, most Americans held back from espousing the centralization of political power to achieve social reform. Middle-class America had one of its great strengths in its common sense and remained more than a bit suspicious of the "boy orator of the Platte."

### **The Progressive Backlash**

As we moved into our present century, however, yet a further change in American attitude was about to occur. As a plutocracy grew ever fatter in its monopoly control of political power, it came to dominate more and more of the American social structure as well. This always happens as power is centralized and the state begins to swallow society. But the old traditional leaders of American society, the middle-class businessman, professional man, and clergyman, were increasingly unwilling to allow this to happen. They decided to fight back. Thus, the Progressive movement came into being. The underlying rationale of this middle-class protest move-

ment was an attempt to break up a monopoly of power and to reinstitute the American tradition of diversity, social mobility, and economic opportunity. The goals were traditional, the means to achieve the goals were not. Political power was to be taken from the plutocracy *by giving it to the middle class*. The Progressives were hoping to break up a power monopoly by creating a power monopoly.

This dichotomy explains the peculiarly Janus-like quality of the Progressive movement. Within both Theodore Roosevelt's New Nationalism and Woodrow Wilson's New Freedom we find the conflicting demand for greatly increased and centralized political power as the means by which a decentralized, traditional, individualistic system might be reinstated and preserved. The tragedy of Progressivism is that these well-intended people were to learn that such ends cannot be achieved through such means. As the state grows bigger, the individual must grow smaller.

No more graphic demonstration of this could be made than the example of the legislation of the Progressive era itself. Woodrow Wilson epitomized the Progressive dilemma in a speech to the New York Press Club during the presidential campaign of 1912: "When we resist the concentration of

power, we are resisting the powers of death, for concentrated power is what always precedes the destruction of human liberties." A fine sentiment and a correct observation, but Wilson and the other Progressives were doomed to failure because their weapon against the concentration of power was the concentration of power.

### ***A Bias Among Historians***

Once launched upon the centralizing road during the Progressive era, America has seemed unable to reverse the process. The crisis of the First World War, the futility of attempting to dictate morality to a nation with the new commandment, "Thou shalt not drink," the crisis of depression and the aftermath of economic distress, the great new burst of centralization and social planning of the 1930's, the renewed crisis of the Second World War, and the Cold War of the past twenty years—all form part of a continuing pattern of centralized political authority.

This tendency has been aided and abetted by a new philosophy of government running in a contrary direction to traditional American political life. The Progressive era saw the rise of a group of academic figures and social thinkers of all disciplines who attempted to re-examine the Amer-

ican past in terms of this new bias favorable to centralization. Our colonial history and constitutional era have been re-examined by such historians as J. Allen Smith and Charles Beard and one of their most outspoken current disciples, Merrill Jensen, to reach the extremely present-minded conclusion that the Founding Fathers were a group of economic bandits on the make who suppressed the strivings of the common man. The remainder of American history is similarly utilized to make Jefferson, Jackson, and a number of others well within the scope of the American federal tradition appear as political centralizers and economic protectors of "the people" in a view of history that reverses historical continuity, begins with the New Deal, and reaches backward in time to prove that it was ever thus and so. As Forrest MacDonald, Robert Brown, Bray Hammond, and any number of other competent historical authorities have made clear, such was not the case.

### ***Crusade for Centralization***

This fact has not deterred the continuing development of the rationale for further centralization of political power. The intellectual journey from the milder collectivism of the Progressive era to the steadily increasing collectiv-

ism of our own time is clearly evident in the evolution of a number of thinkers. Walter Lippmann serves as a good case in point. In 1913, Lippmann's *A Preface to Politics* referred to the state as "the supreme instrument of civilization." By the time of the early New Deal, Lippmann had come to believe that the state must keep people "economically secure" to preserve democracy. Lippmann's prose is filled with sympathetic references to the people and to tradition. However, the earlier Progressive Lippmann's assumption that the exercise of state power was justified through popular participation in government had given way by the mid-50's, as for example in *The Public Philosophy*, to the belief that the people could not do the job and had to be limited to a franchise that gave all power to a chief executive and only retained an after-the-fact right to approve or disapprove the executive performance.

The list of those urging such a centralization of authority and responsibility is a long one, and the progress of the idea has been rapid. Yet, occasionally, the American people have resisted this usurpation of their authority, as for example in Franklin D. Roosevelt's resounding defeat in the 1937 "Court packing" scheme. The people, with Congress as their rep-

resentative, made quite clear their belief in the principle of constitutionally limited and dispersed powers. The nature of this successful revolt against Roosevelt seems all the more important when we recall that it followed on the heels of a great victory in the 1936 elections that had demonstrated not only his personal popularity but that had given him a large majority in both houses of Congress. The report made at the time by the Senate Judiciary Committee remains a ringing affirmation of the American principle of freedom under law.

#### **Where It Leads**

Such temporary revolts against centralization should not disguise how steadily the concept has developed. Any number of horrible examples of the fruits of this tendency come readily to mind in the history of NRA or AAA. The Constitutional violations producing the power centralization that occurred during the 1930's were noted by the Supreme Court in both NRA and AAA. The impact of this centralization upon individual freedom is equally apparent. Tailors arrested, indicted, convicted, and sentenced because their price for pressing a pair of pants was a nickel below the NRA blanket code; farmers fined for planting wheat that was consumed

entirely on their own farm; such examples make abundantly clear the sort of thing that happened to the American tradition of federalism.

In 1905, George Santayana viewed the tide of "centralization and reform" then just beginning to rise in this country and warned, "A reformer hewing so near to the tree's root never knows how much he might be felling." He predicted the course of subsequent events with great accuracy. In Russell Kirk's summary of the Santayana position, the future is outlined with awful clarity:

Liberalism, once professing to advocate liberty, now is a movement for control over property, trade, work, amusements, education, and religion; only the marriage bond is relaxed by modern liberals. "The philanthropists are now preparing an absolute subjection of the individual in soul and body, to the instincts of the majority — the most cruel and unprogressive of masters. . . ."<sup>5</sup>

### **Congressional Attrition**

The traditional balance of power within the federal government has placed Congress in a role of great authority, well capable of limiting executive centralization. American history is filled with examples

of that limiting role, a role well suited to Congress since its composition and method of election makes it the natural and direct representative of the wide diversity present within the American federal system. The same period of recent American history which has seen the decline of the American tradition of federalism has therefore naturally witnessed a steady decline in the importance of Congress and a widespread Presidential and bureaucratic usurpation of congressional prerogatives. Control of the purse and the ability to make war are perhaps the most outstanding keys to power and thus to sovereignty that the Founding Fathers centered primarily in Congress. The growth of the Presidential office as the tribune of the people and a steadily burgeoning bureaucracy have come increasingly to subvert that original intention. Alleged "need of reform" and the crises of war and depression have provided the excuse.

If such a key representative of the American tradition of federalism as Congress has suffered such a steady attrition, the concept of states' rights has fared little better. According to the well-known authors of a widely used American history survey, "states' rights are now an historical exhibit, maintained by the Republi-

<sup>5</sup> Russell Kirk, *The Conservative Mind* (Chicago: Henry Regnery Co., 1960), pp. 508-509.

can party." Things may not be all that bad, but the role of central government as the sole arbiter of men's fortunes does seem to have fewer and fewer obstacles in its path.

### **The "Four Freedoms"**

It is said that a Scottish nationalist who refused to support the English war effort during the Second World War was incarcerated for the duration. When released, he was asked how he had fared during his jail term. He replied, "Well, I had the four freedoms." As you recall, the first two of those four freedoms, which Roosevelt envisioned for the entire world were freedom of speech and freedom of worship. Both these items are specific guarantees written into our own Constitution. Yet the Second World War changed the nature of these guarantees. The Constitution treated these rights as derived from a superior power and thus not to be violated by any agency, government included.

By the time of the Second World War, such rights had apparently become a grant to the people from a beneficent government. What of the other two "freedoms"? Freedom from want and freedom from fear, of course, are not natural rights at all; and, until our own materialistic, reformist, super-

centralizing age that somehow expects government to take over all facets of life, they would never have been regarded as any of the government's business at any previous point throughout our long heritage and exercise of American liberty. In any event, the Scottish nationalist was right. He did have the four freedoms available to him in jail. So might we all.

### **The Consequences**

Meanwhile, how do such guarantees of governmental largess work out in action? One of the most deeply entrenched items in the new centralization of all authority and responsibility in Washington is the Social Security system. In our own enlightened times of the mid-twentieth century, this nation saw fit to penalize a group of peaceful and frugal Amish farmers, who were forbidden by their religion to participate in such a system, and who therefore had not paid the appropriate social security taxes. The government seized the livestock of these simple people for sale at public auction.

Felix Morley quotes a news item pertaining to this event in the new American view of liberty:

As the sale began, a young Oberlin College student turned up wearing on his back a crudely hand-lettered sign

that read, "If government can take these horses today, it can take yours tomorrow — Don't bid!"

He had hardly walked a dozen steps before two burly sheriff's deputies grabbed him and hustled him off to their car. The gestapo couldn't have done it more efficiently. The sale went on.<sup>6</sup>

Surely in our system of divided powers the courts would provide relief from such arbitrary exercise of power, a student of American government might conclude if he were familiar with the American tradition of federalism. That is, he would hold some such idealistic hope until he began to read the discussions of what might be called the judicial "relativity" so common in our age. We now find that even the courts frequently boast of reaching their decisions on the basis of "sociological" evidence, without being "hampered" by legal precedent or traditional interpretations of the Constitution. It would be difficult to imagine an attitude more directly corrosive of the American constitutional tradition of liberty under law than such a view of judicial processes.

#### **Local Governments Diminished**

This tremendous interference in the affairs of individuals and lo-

<sup>6</sup> Felix Morley, *Freedom and Federalism* (Chicago: Henry Regnery Co., 1959), p. 151.

calities is both cause and effect of another phenomenon of our time, the frequent failure of state and local governments to do their job properly. Federal interference, of course, is itself a great cause of such a collapse of state and local ability and responsibility. But many of the various localities and subunits of the nation are not without blame.

Whether a local irresponsibility or a national usurpation occurs first is not the point. What is important is that the people composing the membership of the state and local governments and private institutions that must provide the vitality of the American federalist tradition have both the desire and the courage to reassert their liberties and the responsibilities that accompany them. As power has drained from the private sector into the public sector, from the nation at large into Washington, and from Congress into the Presidency, private rights have proven increasingly difficult to maintain. We are told that such a trend is productive of "efficiency" or "modernization," but it might pay to remember that the most notable examples of a thoroughgoing political centralization that the twentieth century offers are the totalitarian experiments in which "efficiency" and "modernization" in the suppression of

all human liberty have been the primary results.

### **The "Service State"**

Dean Roscoe Pound of the Harvard Law School coined the phrase "Service State" to describe the assumption of all political and economic functions by centralized government. In such a "Service State" a subtle change has occurred in the meaning of the word freedom. As Professor Hayek phrases it: "To the great apostles of political freedom the word had meant freedom from coercion, freedom from the arbitrary power of other men, release from the ties which left the individual no choice but obedience to the orders of a superior to whom he was attached. The new freedom promised, however, was to be freedom from necessity, release from the compulsion of the circumstances which inevitably limit the range of choice of all of us. . . ."<sup>7</sup>

If this definition of the Service State seems hard, let a new-styled "Liberal" of impeccable credentials state the case for us. Senator Joseph Clark of Pennsylvania

puts it plainly: "To lay a ghost at the outset and dismiss semantics, a Liberal is here defined as one who believes in utilizing the full force of government for the advancement of social, political, and economic justice at the municipal, state, national, and international level."<sup>8</sup> No wonder the federal system seems so limited in its objectives and its means to people with such ambitions!

A member of the Atlee cabinet in the socialist government of England a few years ago, Mr. P. C. Gordon Walker, published a book entitled, *Restatement of Liberty*. It epitomizes much of the present thinking that has received wide acceptance on both sides of the Atlantic: "The new State will also directly augment authority and social pressure by new powers of punishment and compulsion. So far from withering away, as in theory both the individualist and the total State should, the new State, if it is to bring into being and serve a better society, must create new offenses and punish them." A restatement of liberty, indeed! ◆

<sup>7</sup> Frederick Hayek, *The Road to Serfdom* (Chicago: University of Chicago Press, 1944), pp. 25-26.

<sup>8</sup> Joseph Clark, "Can the Liberals Rally?" *Atlantic Monthly*, July, 1953, p. 27.

*A concluding article to appear next month will deal with the future of American Federalism.*

# The Buckley Campaign

IN 1886 HENRY GEORGE, the Single Taxer, ran for Mayor of New York. He lost. But to this day that particular election year in New York City history is known as the year of the "Henry George campaign." Only the most historically learned of men will recall at this date that the winner in 1886 was a man named Abram Hewitt.

The reason why George is remembered and Hewitt forgotten is that Henry George, right or wrong, stood for something. Prophecies are chancy, but I would be willing to bet a good sum, with a view to collecting or paying off in Heaven, that the 1965 New York mayoral campaign will be more or less bracketed with that of 1886. The third-place loser, William F. Buckley, Jr., will be remembered because he stood for something. John Lindsay, the winner, will be a name for the more esoteric historians. And these historians will have to look him up in Bill Buckley's own story of the 1965 campaign, *The Unmaking of a Mayor* (Viking, \$6.95).

Bill Buckley, of course, has never written a *Progress and Poverty*. But he, as much as anybody else, has recreated conservative journal-

ism in the United States as a force. When modern "liberalism" has finally revealed its impotence to solve the pressing problems of the modern world, Mr. Buckley will stand out as a leader among those who really knew what was the matter. So 1965 will be recalled in New York as the year of the "Buckley campaign." Lindsay, like Abram Hewitt, will tend to fade into the shadows.

Buckley's book about his campaign is interesting because the author talked sense to the voters and now writes about his experience with the same witty aplomb that characterized his political fencing. But the really astounding thing about Bill Buckley is not so much that he talked sense but that he actually made it fashionable to bring intelligence to bear on the problems he threw in John Lindsay's face.

This matter of making a cause fashionable is of crucial importance. For what is it that makes modern "liberalism" hang on? "Liberalism" can't feed people, for it knows nothing about the individual wellsprings of plenty. It can't stop wars, for it hasn't the least

idea about what it takes to keep power in the world limited and balanced. It can't solve the "race" question, for it fails to see that people rise or fall as separate entities — given, of course, the equal protection of laws. So what is it that makes the dead corpus of "liberal" ideas persist? Fashion is what does it, and only a counter-fashion will oust the "liberals."

What Bill Buckley did in his campaign was to sneak into the affections of men in subordinate but important mass communication positions. He didn't win the top editors of the big journals or the bosses of the networks. But, by being one jump ahead of anybody else in his all-around verbal flair and in his control of his various subject matters, Bill literally forced the political scribes to abandon their stereotypes of what a conservative candidate must say and do.

### **He Clearly Stood for Something**

The tip-off on the campaign to come was Bill's experience at the famous Holy Name Society Communion Breakfast, where he made a speech to some 6,000 New York policemen. A reporter, sure in his mind that Buckley must have said what any stereotyped right-winger would have said, missed the true inwardness of the Buckley talk, and what the reporter turned in to his

city desk got "escalated" into a defense of the Selma, Alabama, police after it had been passed through a few headlines and been copied by other newspapers. Luckily a tape of the talk existed, and Bill Buckley exploited the tape. The corrections never did catch up with the distortions, but the reporters began to get the idea: Bill Buckley could be a danger to anyone who might trifle with his utterances. Only once before in the history of modern controversy had the "liberals" encountered someone who could fight back from the record. This was when Whittaker Chambers flummoxed his fashionable opposition by actually producing the so-called Pumpkin Papers.

So Bill Buckley went into the mayoral campaign with a growing reputation for effectiveness. He was someone to be feared. When it turned out that he could also be fun, he began to steal the show from John Lindsay (who talked platitudes) and Abe Beame (who spouted statistics). The campaign ended with the tail wagging the dog, which, for headline purposes, was almost as good as a man biting a dog.

Once he had achieved a fashionable break-through, Bill showed to an increasing audience that good prose could be used to set forth good ideas. The Conservative position papers, reprinted as part of

the text of *The Unmaking of a Mayor*, will be mined for many months to come by people who are serious about schools and housing and smog and the water supply and welfare and narcotics control and crime prevention and all the other subjects that bedevil our big urban conglomerations.

#### **A Growing Political Force**

The conservatives and the libertarians are still fashionably written off when it comes to talking about the future of U. S. politics. Buckley, so it is pointed out, missed his primary objective, which was to keep Lindsay from winning. In the New York State elections of 1966 the Conservative Party, running an upstate college dean, Paul Adams, for governor, failed to defeat Governor Nelson Rockefeller. And, in elections throughout the nation, "liberal" Republicans won in Pennsylvania, in Michigan, and in Illinois.

But the movement of ideas goes on. In both the Buckley 1965 campaign for mayor of New York City and in the 1966 campaign for governor of New York the Conservative Party finished ahead of the Liberal Party, which means that the Conservative swing vote is becoming more important than the "liberal" swing vote. And, in the nation as a whole, so-called liberals such as Governor George

Romney of Michigan and Senator Chuck Percy of Illinois are turning to supporters of "independent sector" thinking such as Richard Cornuelle for practical solutions to welfare and home ownership problems. From the standpoint of economic theory, there is only a hairline difference between a Romney in Michigan (an inordinate admirer of the first Henry Ford) and a Ronald Reagan in California. Both are advocating an approach to economics that would tend to get the State off people's backs.

#### **A Changing Trend**

The measure of Bill Buckley's success both as an editor and as a political candidate is that very recent events have made the last pages of his book sound entirely too pessimistic. "I greatly regret the prospective decline of the GOP," writes Mr. Buckley, "because the alternative is likely to be a congeries of third parties, adamantly doctrinaire, inadequately led, insufficiently thoughtful, improvidently angry, self-defeating sectarian." But need it turn out that way? Isn't it more likely that the next two years will demonstrate the complete sterility of the Great Society? Money from Washington won't solve John Lindsay's problems in New York City. Rent control won't build

more apartments in that city. Busing children across school district lines won't improve education. Better ideas than these can be found in Buckley's position papers, and, out of desperation, the "liberal" opposition will begin to purloin them.

It has already begun to happen. No one has been more critical of the Conservative attitude toward big city problems than columnist Joseph Alsop, for example. Yet Alsop is now writing that it is the quality of education dispensed in the schools that counts, not the racial ratios. Well, what have the Conservatives been saying all along? Mr. Buckley's book could tell Joe Alsop a thing or two. ♦

▶ **FABIAN FREEWAY** by Rose L. Martin, (Belmont, Massachusetts: Western Islands Publishing Co., 566 pp., \$9.65) and **THE DEMOCRAT'S DILEMMA** by Phillip M. Crane, (Chicago: Henry Regnery Co., 383 pp., \$.75).

*Reviewed by George Charles Roche III*

TO THOSE AMERICANS perceptive enough to recognize the dangers

of our present collectivist course, one of the questions of considerable interest is: "Who did it, and how was it accomplished?" Surely the traditional values of this nation and the attitudes of the American people were not in themselves socialistically oriented. Thus, some analysis of the personnel and the methods producing the present sad state of affairs would be a definite addition to the improved understanding of our situation, as at least one preliminary step toward reversing the trend.

Mrs. Martin and Professor Crane are the authors of two such analyses, both well-researched, complete, and offering a detailed answer to the "Who?" and the "How?" of America's turn down the mistaken road paralleling European collectivism. To the reader searching for the names, dates, organizations, and activities of the prime movers in the process, these two studies offer a wealth of information, reaching from the origins in the late nineteenth century to the events of the 1960's. ♦

- ✓ Robert Newell, from his farmstead in Michigan, sees the best hope for better government to be in the self-control exercised by better individuals .....p. 131
- ✓ Nor does author-journalist William Henry Chamberlin expect any alleviation of poverty from the political juggling of funds by persons isolated from the problem .....p. 135
- ✓ A careful student of political affairs in Britain tabs their new Selective Employment Tax a major regression toward mercantilism .....p. 141
- ✓ Those who understand and practice freedom may breathe new life into the forms of American Federalism, suggests Dr. Roche, and revitalize the government as an instrument of justice rather than forced equality .....p. 144
- ✓ How can we hope to bring freedom to other lands, or even our own, until each of us frees himself from the fears and prejudices of his animal nature? .....p. 155
- ✓ For Junior Achievers, Tom Rose points up some of the basic principles and challenges of business life that may be helpful to businessmen of all ages .....p. 158
- ✓ Bad enough that individuals sometimes act irresponsibly on their own, thinks Professor Carson, but alas to the society that adopts the welfare formula of organized irresponsibility! ..... p. 164
- ✓ Perhaps no one is better able than Harold Fleming to draw from the complexities of the pricing of gasoline the true miracle of the market that it is .....p. 175
- ✓ Professor Walter Gellhorn's **When Americans Complain** arouses a note of protest from John Chamberlain. ....p. 185
- ✓ For somewhat different approaches to the same thing, see Ayn Rand's **Capitalism: the Unknown Ideal** reviewed by Elizabeth Gillett (p. 189) and Irving Howard's **The Christian Alternative to Socialism** reviewed by Norman Ream ..... p. 190
- ✓ And now from his reviewer's chair, George Roche commends **Our Western Heritage** and **The Scriptural Standard in Economics and Government**, both by Edward Coleson .....p. 191

# THE *Freeman*

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Economic Education*

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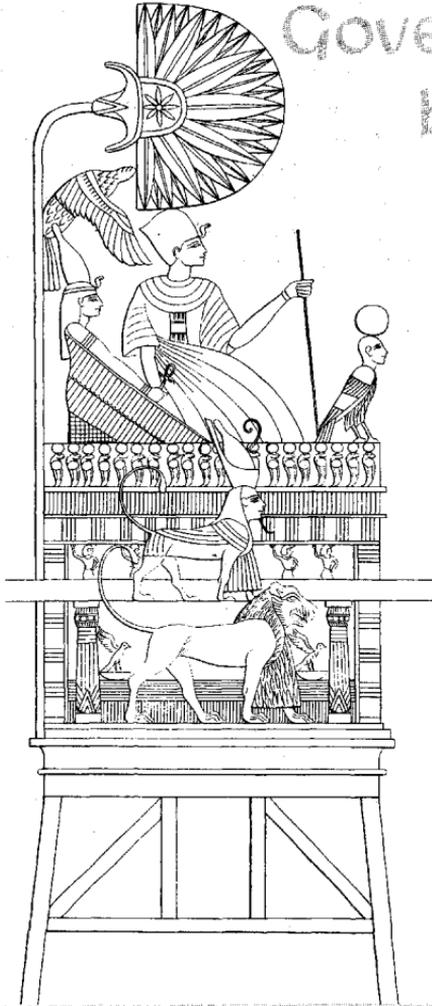
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# Government by Better Men



ROBERT K. NEWELL

Mr. Newell operates a farm  
near Marcellus, Michigan.

SINCE THE dawn of history men have willingly allowed themselves to be governed by an imposed authority in preference to accepting the responsibility for governing themselves. Consequently, history abounds with men contending for power to rule others, and all marching under banners of governmental reform and declarations that better governors ultimately produce more desirable social organizations. But, if there is one lesson to be learned from history, it is that, regardless of noble appearances and lofty claims of idealism, human limitations are such that no human being can safely be entrusted with authority to govern the lives and fortunes of others.

The basic philosophy of constitutional government above all else expresses public suspicion of the human frailties of those who govern. Constitutional philosophy has learned well from history that human beings invested with any political authority must have such authority precisely defined and constantly limited by counterbalancing forces. But, constitutional process erroneously presumes that majority consensus automatically

provides an adequate counterbalance to restrict the political ambitions of potential autocrats and insure the civil liberties of societies so governed. Authoritarianism is quick to accept whatever governmental powers a free society is willing to abandon.

The United States outwardly has remained a staunch advocate of individual political responsibility. However, like so many historical predecessors, the citizenry inwardly has been overly and increasingly generous in bestowing gifts of centralized power and investing ever-strengthening authority in public office. The wisdom of such generosity is subject to debate in a society that has placed its faith in popular consensus. But, obviously, human freedom suffers when men abandon the personal responsibility of government and allow themselves to be governed by imposed authority.

It is argued by popular consensus that the complexities of modern society have so completely outgrown the individual's capacity to understand them that strong centralized government by skillful politicians is now needed to administer social justice and deal effectively with human problems. Proceeding logically from this premise, centralized government has experienced little difficulty in effecting periodic increases of al-

ready vast authority under pretense of necessity to cope with contrived emergencies. But, any systematic destruction of human freedom, no matter how quietly and peacefully it is accomplished, ultimately is no less tyrannical simply because the tyranny developed by degrees within the political framework of a society that under all circumstances has imagined itself to be free.

### **Gradual Encroachment**

Evolutionary constitutional oligarchies apparently founded on sound principles of freedom are far more insidious than authoritarian governments that come to power by violence. For unlike violent usurpations, gradual processes of governmental growth allow the citizenry to retain a false sense of well-being stemming from the belief that they are actively participating in government through public elections and thereby exercising adequate restraint on governmental excesses. Ironically, it is the societies that most ardently extol personal freedom and are the most resilient adversaries of crude forms of political usurpation that are most easily deluded and subjugated by subtle concentrations of governmental power.

When an autocrat comes to power through usurpation, he es-

tablishes a government and arbitrarily decides how much authority he will exercise. However, his governmental policies continue only as long as he retains absolute power of enforcement. Fortunately, political power implemented by force is seldom of long duration, for the tremendous counterbalancing force of human dignity insures that those subjugated will eventually depose the tyrant and with him all authority associated with his regime.

No such dramatic course is open to victims of constitutional tyranny for constitutional process takes no direct interest in the personalities involved in governmental authority. Rather, the constitutional system, and its periodic corruption, concentrates vast powers in political office and hopefully challenges the voting public to fill the authoritarian power structure with wisely chosen politicians. One candidate might declare his intention to use the vested authority of political office with somewhat more discretion than another.

This provides the voting public with motivation in the delusion that by supporting such a candidate they are casting a ballot for human freedom. But whatever the outcome of a given election, the constituted political power inherent to the contested office is in

no way diminished by any temporary lack of use, and in due course, such authority not only is fully utilized but extended by more ambitious office seekers.

Despotism can never subjugate a people who responsibly undertake to govern themselves; and conversely, nothing can save a society from despotism if, in the name of self-government, the people willingly impose elective authoritarianism on themselves. When one considers the incredible extent to which the powers of elective and appointive public offices have grown, and are continuing to grow with the full consent of the American people, we are indeed fortunate that a more calamitous despotism has not yet engulfed the Republic.

#### ***A Degenerate Form of Freedom***

Everyone is well aware of the size, scope, and increasing authority that political government has gained at the expense of individual liberty. Few seem overly concerned. Most prefer to trust the adage that better governors ultimately produce more desirable societies and logically assume that bigger government simply requires a more competent political oligarchy. The electorate has come to feel that individual responsibility begins and ends with voting for candidates that seem best

qualified to utilize effectively the tremendous power that unwittingly has been concentrated in political office. The concept of personal freedom has degenerated to such a low ebb that liberty is now considered to be synonymous with superficial processes that attempt to place better men in an insatiably authoritarian government.

It would be a disheartening commentary on the social and moral progress of any nation to find a governmental structure that confiscated one-third of the national income; that diverted for political purposes one-fifth of the gross national product; and that directly, indirectly, or through conscription, provided employment for one-fourth of the citizenry. But it is doubly disheartening to find that a nation with its traditions firmly rooted in the responsibility of personal freedom, has deliberately installed such a government. Placing better men in that government might appear to be a worthy objective but free societies are completely dependent upon better government in men.

### ***An Air of Respectability***

Political freedom can exist only where men conscientiously accept the responsibility for governing themselves. When consensus no longer expresses a desire to retain the responsibility of solving hu-

man problems within the framework of free social intercourse, constitutional process simply lends an air of respectability to governmental tyranny. Political campaigns, by the very nature of the totalitarian offices the aspirants seek to fill, are resolved by transitory majorities skillfully gathered by demagogic promises to use the vested powers of political office to favor certain segments of a society at the expense of others.

If a man rules himself wisely, it is all that can be expected of him, for no man is morally capable of doing more. But if men are not morally qualified to govern others, neither are they morally released from the responsibility of governing themselves. The degeneration of moral government and subsequent increase of formal political government precisely measures the degree to which the self-reliance, self-respect, and human dignity of a society has eroded.

Rather than zealously searching for more capable politicians, those who seek liberty must instead undertake the prerogatives of self-sufficiency and the moral responsibilities of self-government. The functions of formal political government will then automatically be restricted and systematically reduced until at last government is confined within the moral capabilities of human limitation. ♦

# Men, Not Money, Will Overcome Poverty

WILLIAM HENRY CHAMBERLIN

IT IS A COMMON DELUSION that any problem, however deeply rooted in human psychological weaknesses and frailties, can be satisfactorily solved by a sufficiently large appropriation of public funds. This is especially true as regards the so-called war on poverty. Not content with the huge sums already appropriated or indicated by the lavish spending programs of the 89th Congress, some ardent crusaders in this field want to go much farther, regardless of the effects on the shrinking value of the dollar or the fortunes of the majority of Americans who work for a living.

A group of men identified with "civil rights" and "labor" causes, including a few clergymen and economists, headed by A. Philip Randolph, president of the Brotherhood of Sleeping Car Porters, recently came out with a proposal

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Mr. Chamberlin is a skilled observer and reporter of economic and political conditions at home and abroad. In addition to writing a number of books, he has lectured widely and is a contributor to *The Wall Street Journal* and numerous magazines.

for the government to spend the modest sum of \$185 billion for a drive to "end poverty in the next ten years," mostly by vastly increased contributions to existing items in the antipoverty program plus assuring a guaranteed annual wage, earned or not. This guaranteed annual income, on top of lavish welfare outlays, would remove the last serious incentive to work for the less skilled, while its cost would help to depress the standard of living of those who do work closer to the poverty level. Yet, the proposal also is favorably mentioned in a recent book by Walter W. Heller, chief of the Council of Economic Advisers in the Kennedy and Johnson administrations.

Another ex-chief of the Council of Economic Advisers, Mr. Leon Keyserling, went along heartily with the \$185 billion spending budget. Somewhat in the spirit of the dentist who assures his patient that the next turn of the drill in his molars will not hurt,

he confidently asserts that the outlay of \$185 billion will not hurt anyone because it will come out of the natural growth of national income. This is the spirit of Dickens' character, Micawber, applied to finance. But, suppose the national income turns down instead of up; this has been known to happen.

A columnist who is noted for his freehanded attitude toward spending public funds, either for wars and expensive defense projects or for huge schemes of urban rehabilitation, warns that our cities are headed for a hopeless future unless tens of billions are somehow mobilized to rehabilitate them. The view is often expressed that the poor are being short-changed by the war in Vietnam, not because they are contributing much to its cost, but because they are missing the bigger handouts that would otherwise come their way. This is used as an argument for higher individual and corporate taxes, though such taxes would automatically dry up much of the consumer and investment spending which, together, are largely responsible for maintaining present jobs and creating new ones.

Before this hasty assumption that big government is both able and obligated to abolish poverty by writing more and bigger checks

becomes firmly embedded in the national consciousness, some lessons of experience about poverty, its causes and cures, should be considered.

### *The Relativity of Poverty*

First of all, the word poverty is relative. What is considered poverty in the United States would be almost unimagined wealth to a large part of the population in Africa, Asia, and Latin America. One doesn't find cars or television sets in the city slums of peasant villages of India, Nigeria, or Brazil; but cars and TV sets are by no means unusual possessions of welfare recipients in the United States. Pure water, electricity, and other public services are taken for granted in North America and Western Europe; not so, however, in culturally and economically retarded areas of the world.

Second, economic progress, even economic movement, has always been associated with economic systems employing material incentives, such as differential pay for work of higher skill and responsibility. The nineteenth century European explorers who penetrated the interior of Africa found societies of almost incredible backwardness, unfamiliar even with such a simple device as the wheel, societies which had stagnated for centuries. Without condoning any

sins of Western and Arab newcomers, especially in connection with the slave trade and some cases of gross exploitation of native labor, it may fairly be said that every step of African progress, in economic development, in education, in the building of a system of communications, was due to contact with the dynamic Western methods of civilization.

Even in communist-ruled states, the utopian ideal of paying everyone equally and sharing the products of general labor equally has long been discarded as hopelessly unworkable. Wage and salary scales and perquisites of office are at least as rigidly graded, on an ascending and descending scale, in communist as in noncommunist states. The difference is that the industrial noncommunist states produce a much larger and more varied output of quality goods for everyday consumption, and are far ahead in agricultural productivity. Communists have tried in recent years to maintain inequalities in reward, and to mix some elements of the market system with their planned economies, but their efforts have been fumbling and ineffective. Rigid centralized over-all planning, and the free market with its swift adjustment to changing consumer tastes and preferences, are like oil and water. They do not mix.

Now, if payment is unequal, some people obviously will be better off than others. Modern industrial society has been described as affluent; and in many ways it is. Invention, technology, management organization along streamlined efficiency lines, the use of computers and other up-to-date equipment, automation — all these and other modern developments, when free to function, make it possible to produce more goods for more people than the industrial system could turn out at any time in the past.

But no society, not even America's, is sufficiently affluent to provide for everyone the best of everything. There are, and probably always will be, a few extremely costly luxuries, yachts, mansions, jewelry valued in thousands of dollars, which are only within the reach of an economic top layer of the very rich. A large and enlarging middle class, in the economic sense of the term, a group that includes increasing numbers of manual workers, has access to a wide variety of minor luxuries and solid comforts.

#### ***Variability Among Individuals***

Under any workable system of differential incentives there will always be a bottom tenth, or a bottom third, or whatever fraction may be chosen, that will be ma-

terially less well off than the average. It is not only inequality of recompense that creates this situation. It is the infinite inequality to be found in human character, human ability, human traits of all kinds.

Two men may start out with the same capital, the same amount of land, the same type of small manufacturing or trade establishment. The more competent of the two will forge ahead of the other. It is as simple and inevitable as water running downhill. One of the great illusions of modern times is that some impersonal force—government, society, or whatnot—is responsible for poverty and that this same force has the power and obligation to cure it.

The favored remedies are huge handouts of public funds or attempts to force up money wages out of line with market conditions by way of minimum wage laws or through the exactions of monopolistic trade-union organizations. Even more drastic measures have been advocated, such as the negative income tax, under which the state would arbitrarily raise the incomes of all families that had failed to achieve a certain income level.

What is overlooked is that poverty usually stems from personal inadequacies of one kind or another,

which no amount of outside subsidies will correct. Poor housing is often denounced as a breeding ground of crime, vice, and poverty, and is not to be defended on any ground. But here, the evil is easier to identify than the remedy. For, when modern, taxpayer-subsidized housing becomes available to slum dwellers, the result all too often is quick degeneration into a new slum, with elevators made unsafe by thugs, facilities damaged or destroyed by vandals. In other words, it is people as they are who make slums what they are.

#### **Why Remedies Fail**

Because money cannot buy those traits of individual character and initiative, many of the remedies for poverty which have been enacted or proposed, from sincerely humanitarian motives, miss the mark or lead to results the very reverse of what is expected. Minimum wage legislation is the surest known device to stimulate unemployment, especially in the adolescent age group, where work would be a most desirable antidote to juvenile delinquency. It is no mere coincidence that unemployment, especially among Negro teen-agers, has risen in a period of sharp boosts of the minimum wage level. No employer can pay help more than its economic worth

and stay in business. Yet, that is what the minimum wage law in many cases requires.

Extravagant welfare payments are a potent cause of unemployment, when they approach the wage levels paid for unskilled work. If the choice is between a life of subsidized idleness on relief or earning a few dollars a week more by putting in a day of regular work, there are bound to be people who will opt for the check that comes without work.

### *International Ramifications*

It is becoming an accepted dogma that the richer nations of North America and Europe owe an annual contribution in "foreign aid" to the poorer countries of the southern hemisphere. But experience has shown that there are the same variations among nations as among people, with the more energetic managing to do without this aid or quickly outgrowing the need for it and others absorbing large handouts year after year without any visible improvement in their status.

Finland is a striking example of a country that proved able, after two unsuccessful wars, to pay a substantial indemnity to the Soviet Union and regain a fairly satisfactory standard of living without foreign subsidies from any source. Hong Kong, the Brit-

ish colony on the southwest coast of China, is an even more vivid object lesson in the virtues and possibilities of self-help. Hong Kong is a picturesque rocky island with a small adjacent hinterland, both island and hinterland devoid of natural resources, apart from a fine natural harbor.

Commercial, banking, and shipping enterprises, attracted by the financial and political stability associated with a government limited primarily to police protection, transformed Hong Kong from a barren rock into one of the world's great international ports. And since the communist take-over on the Chinese mainland, Hong Kong has experienced another transformation. The city is bursting at the seams with industrious Chinese who voted against communism with their feet—by running away. And these Chinese, finding work at the lowest wages and under the hardest conditions preferable to their lot under communism, have enormously expanded Hong Kong's trade and industry. The city has become the cosmopolitan shopping center of the Far East, with suits of the finest quality and expertly tailored available at short notice to the traveling foreigner. And this recent significant expansion of Hong Kong was achieved without foreign help of any kind. It was just a matter of

people with long experience in trade and handicrafts, denied a fair return for their labor at home, pulling up their sleeves and working hard in a new environment of freedom.

### **Success and Failure**

American aid to Western Europe is now a matter of ancient history. Here it was mainly a matter of starting again at full speed economies which had been stalled by war damage. And there are non-European countries—Israel and Taiwan are good examples—which have freed themselves from dependence on outside help. On the other hand, India, Indonesia, and the Congo, among other nations of Asia and Africa, furnish a depressing spectacle of inability to make both ends meet no matter how much foreign aid is poured into them.

The pioneer settlers of the United States received no foreign development aid and expected none. All they wanted from foreign powers was independence and from their own government to be let alone to go as far as their industry and ability would carry them. They were unconsciously putting into effect the only kind of anti-poverty campaign that is guaranteed to produce results: intelligent, efficiently-directed, hard work.

### **The Human Factor in the Problem of Poverty**

The human being, not the dollar, is at the heart of the problem of poverty, domestic and international. There are individuals who will succeed with little or no outside help, because they seize every opportunity to help themselves. There are others who will founder no matter how many benevolent helping hands are extended to them, because the inner drive to move ahead in a competitive world is lacking.

Poverty will never be conquered, although it may be universalized, by putting on it a huge price tag, payable in public funds. Indeed, the whole idea of imposing on the productive part of the community an ever heavier burden of supporting the unproductive is foredoomed to failure.

The best prospect—not of abolishing poverty, an unrealistic goal, but of diminishing and alleviating it—is to throw the fewest possible roadblocks in the way of thrift and industry. A given amount of capital, saved and invested in job-producing enterprises, will do far more to help the poor who can be helped than the same amount of capital seized by Federal, state, and local governments as taxes and distributed through bumbling bureaucratic agencies for supposed welfare projects. ♦

# THE SELECTIVE EMPLOYMENT TAX

*—Latest in Britain's trend toward socialism*

GEORGE WINDER

A TOTALITARIAN REGIME never acquires power in a democratic state as suddenly or as completely as communism conquered Russia, but Britain, nevertheless, is driven toward total socialism by a terrible inevitability which follows continuous inflation. If this strikes a note of despair, it must be put down to the loss of freedom from which the British people have long suffered.

The latest manifestation of socialistic drift is the Selective Employment Tax which is levied against wages to provide subsidies for export industries, a unique departure from the long-standing practice of taking from the rich to give to the poor. The alleged justification for this discriminat-

ing tax is that those who pay it produce only services, but those who receive it produce tangible products which add to our real wealth and can be exported.

Thus, we renew in the twentieth century the old mercantilist notion that some industries are better for the nation than others: and perhaps they are — if the nation is hopelessly committed to inflation. This latest step in Britain may serve as warning to other peoples dedicated to inflation as a way of life.

All employers in Britain, already required to withhold from wage payments the National Insurance Tax and the Pay-As-You-Earn Income Tax, must now also pay a weekly Selective Employment Tax of 25 shillings (\$3.50) for men and half that rate for women. That is the end of the

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matter for any employer in a service industry. But the employer who is manufacturing commodities, at the end of the accounting period, will receive his selective employment tax payment back in full plus a bonus of 7s. 6d. a week per employee. Also, the government expects to retain some £200,000,000 annually from the proceeds of this imposition.

This tax violates the basic canons of taxation. It is not equal or convenient or efficient; but revenue is not its primary purpose, that being to correct an economy grown steadily more wasteful and chaotic over the past twenty years or more. It is supposed to shake laborers out of the industries which the government considers nonessential and move them to "essential" industries.

### **Consumers Give Direction**

In a free market economy with a sound monetary system all industries arrange their production in response to the way individuals choose to spend their money. In other words, workers are employed in industries in accordance with the demands of the consumer. Every penny spent is a vote as to which industry should expand and which shall slow down its output.

But with the kind of full employment achieved and sustained

only by continuous inflation, this monetary guide tends to fail. Hiding the first hints of unemployment in any industry under a fresh supply of irredeemable currency leaves the entrepreneur with no reliable guide as to where it is most desirable to employ labor, or any other scarce resource. The economy, under such conditions, produces many things that are absolutely wasteful and neglects the production of those that are most needed.

Consequently, the government further intervenes to correct the harmful consequences of its inflationary policy, and we have such measures as the Selective Employment Tax. The result is an aggravation of the hardships stemming from inflation and a postponing of the necessary correctives that can only come as prices and wages are freed to reflect accurately the true market situation.

In Sussex where I live, for example, there are few manufacturing industries. The shopkeepers, the hotelkeepers, the lawyers, the doctors, the dentists, the hairdressers, the gardeners, the domestics, and numerous others who render services to the community must pay this tax. Some employers doubtless will be squeezed and obliged by the tax to dismiss less efficient employees — especially the

very young and the very old. But instead of leaving their homes and migrating to the Midlands in search of a job, these persons are more likely to take unemployment pay under the National Insurance scheme. If the factories of the Midlands are to attract additional workmen, they must expand their investments. But here again, inflation discourages saving and investment, and government spending has created this additional problem that it now must try to solve.

The new tax law provides that charities such as the Salvation Army must pay the tax, but it will eventually be returned to them, so that the government is taking nothing from charity but a forced loan which pays no interest. Farming, fisheries, and transport workers are placed upon a similar footing. We can safely say that, in the hope of forcing labor into the necessary jobs, about half the country is being taxed for the benefit of the other half.

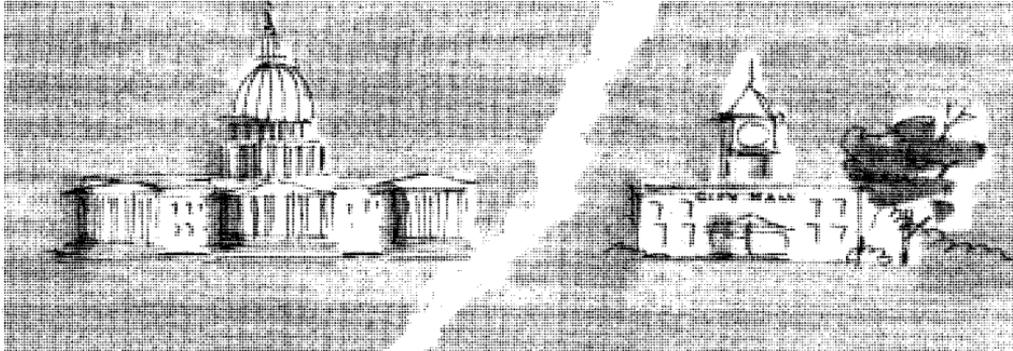
### ***Discriminatory Powers***

But the greatest danger from this tax lies in its potentiality for discrimination. By it, every industry in the country is placed at the absolute mercy of the government.

The well-known financial correspondent, George Schwartz, writing in the *Sunday Times*, puts the matter this way, "I have not the spirit or the build of a dictator, but give me the power inherent in this tax, and I would engage to make the whole economy dance to my tune. I could expand or contract industry at my will. I could alter the economic balance between regions, sexes, and ages; I wouldn't care who owned what. All private property would be under my sway."

Mr. Schwartz is quite right. Any government which can impose a tax of 25 shillings on one industry and a subsidy of 7s. 6d. for the benefit of another can easily quadruple the penalties and benefits and do what it likes with industry.

This much is certain, that wherever you have money which can lose its value by inflation you will eventually get a chaotic economy with nothing to guide its production. Sooner or later, the government is likely to intervene with corrective weapons which belong to a socialist dictatorship — the inevitable consequence of continued inflation. The only appropriate corrective is a sound monetary and fiscal policy — plus faith in freedom. ♦



# AMERICAN FEDERALISM: FUTURE

GEORGE C. ROCHE III

A SOCIETY is free only to the extent that its individual members are free. In short, if men are to remain free, self-government being a very important freedom, they must scrupulously maintain control of government. That is the essence of the American tradition of federalism. The assumption that a good cause allows government to do anything needed and that the government should decide what constitutes a good cause is the totalitarian mentality in action.

When these totalitarians are well intended, they are no less dangerous. We are all to become equal, not in our traditional American equality of *opportunity* but in the new sense, featuring equal-

ity of *condition*. This is the essence of the new paternalism. In the words of Willmoore Kendall: "The equality of the Declaration is the equality to which, say, Abraham Lincoln was born — an equality that conferred upon him merely an equal right to compete with his fellow men in the race, as we run it here in America, for whatever prize he in his equality chose to go after. Not so the egalitarianism of the Liberals. It must pick Lincoln up at dawn in a yellow bus with flashing lights, so saving him shoe leather, whisk him off to a remote consolidated school (financed, in all probability by inflationary bonds), feed him a free lunch, educate him for democracy, protect him from so-called concentration of social and economic power, eke out his income by soaking the rich, doctor

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him, hospitalize him, and finally, social work him — if, as he probably will now, he turns into a juvenile delinquent. Equality, by offering him the rewards of self-reliance, encourages him to become, above all, self-reliant; egalitarianism encourages him to play the angles.”<sup>1</sup>

With remarkable foresight, Tocqueville foresaw the planner's state which would leave no room for diversity, creativity, or individual difference; and he warned repeatedly that the only safeguards against such a road were free institutions and private and decentralized forms immune from the planner's touch. He told a France soon to be ground beneath the heel of a Napoleon III that the local institutions he had seen in America were their last best hope. He warned that unlimited power is in itself a dangerous thing because God alone is competent to exercise such power. France did not listen; let us hope America will.

Then everything includes itself in power,

Power into will, will into appetite.

In these words, Shakespeare describes the unenviable progression of human beings who would play God. The problems of power and

appetite are indeed closely related to our situation in America. As Franklin emerged from the Constitutional Convention, a woman tugged on his sleeve and asked what system of government had been proposed for the American people. His famous reply remains timely after nearly two centuries: “A Republic, if you can keep it.” Later amplifying his remarks, he predicted that the new nation would be well administered for a number of years, “but only end in despotism, as other forms have done before, when the people shall become so corrupted as to need despotic government, being incapable of any other.”

### **The Appetite for Power**

In the problem of power and appetite we have another of those chicken and egg difficulties. Does the excessive centralization of power produce such an appetite to be satisfied that all desire for self-help is destroyed? Or is it appetite that so weakens moral fiber as to make centralization of power inevitable? No matter which comes first, the individual citizens of this nation must make the moral choice to control appetite if the trend toward centralization is to be reversed. This is the problem posed by Irving Babbitt forty years ago in his book entitled *Democracy and Leadership*, when he warned that

<sup>1</sup> Willmoore Kendall, *The Conservative Affirmation* (Chicago: Henry Regnery Co., 1963), pp. 17-18.

"Americans must learn to talk less of their rights, more of their duties."

Socialism-through-welfarism is much harder to combat because of its humanitarian and democratic vocabulary than is socialism-through-nationalization, yet one is quite as deadly to liberty as the other. The collectivist, of course, takes full advantage of the misleading semantics available to the advocate of the welfare state, making his intent as innocuous as possible. Writing at the turn of the century, George Bernard Shaw emphasized this Fabian approach in his book, *The Intelligent Woman's Guide to Socialism and Capitalism*: "I also made it quite clear that under socialism you would not be allowed to be poor. You would be forcibly fed, clothed, lodged, taught, and employed, whether you liked it or not. If it were discovered that you had not character and industry enough to be worth this trouble, you might possibly be executed in a kindly manner; but whilst you were permitted to live, you would have to live well."

All of the advocates of such a system seem to believe that human nature can be molded if the planner has enough control. A distinguished American historian has made the remark that "no man who is as well abreast of modern

science as the Fathers were of eighteenth century science, believes any longer in unchanging human nature." He goes on to say that the solution of modern problems, supposedly by "modern science," must not be hampered by constitutional limitations.<sup>2</sup> Such men usually also place emphasis upon an exclusively "economic basis of politics" as the sole motivating force of man's actions. They are fond of calling those who do not approve of their reforming schemes materialists, yet the true materialists are these men who see man only as a belly to be filled and in the process ignore the institutional and individual varieties of human nature that demonstrate man's dignity. As has often been suggested, political life will tend to absolutize itself unless there are some values outside the system — values not subject to change according to man's political whims.

#### **A Need for Better Democracy**

The answer given to all problems in our time is "more democracy." The real problem, of course, will hardly be solved by more of the same, that is, more democracy, but might well be solved by *better* democracy. Better democracy would

<sup>2</sup> Richard Hofstadter, *The American Political Tradition and the Men Who Made it* (New York: Vintage Books, 1948), p. 16.

be defined not as a greater emphasis upon the lack of human dignity, but as re-emphasis of the concept of individual God-given integrity, dignity, and human variety, protected through man's institutional framework, as, for example, in his right to private property.

Professor C. Northcote Parkinson, in *The Evolution of Political Thought*, has traced the direction of democracy throughout the world in the past 200 years toward such an extension of human appetite to be satisfied by political processes that the original democracy has turned to socialism, with its inevitable centralization ultimately resulting either in out-and-out dictatorship or in Hilaire Belloc's "Servile State." Professor Parkinson, however, admits that America, though it has not gone in a different direction than the rest of the world, has at least lagged behind on the disastrous timetable he describes. The very diversity, decentralization, and limitation of power inherent within the American tradition of federalism is precisely the reason that we have done as well as we have in resisting such a trend.

### **Equality by Force**

A socialist has little to contribute in the realm of genuine political ideas. Instead, he often mere-

ly insists that the liberal notion of political equality present in democracy is meaningless unless coupled with an enforced economic equality. As soon as it is decided that economic equality must be enforced through political processes, socialism and the welfare state become two peas in a pod with centralization and a collective ethic as the central facts of both systems. Such assumptions soon lead to such preposterous distinctions as the attempt to draw the line between human rights and property rights. Of course, no such distinction can be made. The Founding Fathers grasped a fact that the modern collectivist apparently cannot see: A man without property rights is a man without the right to the product of his own labor and is therefore not a free man. Property rights *are* human rights. So, the welfare state assault upon property leaves man neither his material welfare nor his freedom. Governmental subsidies and interventions of every kind, no matter how wrapped in semantic nonsense about "democracy" and "humanitarianism," are essentially coercive and therefore an assault upon voluntary actions of society and an assault upon freedom.

Ultimately, society's loss of freedom becomes the individual's loss. More and more, the conflict has become a struggle of the individ-

ual versus the state in an attempt to answer the question of whether the individual exists for the state or the state exists for the benefit of the individual.

**Lessons We Might Learn  
from the Fall of Rome**

Cyclical theories of history, of the rise and fall of civilizations, are popular in our time. The parallel is often made, with considerable validity, between the fall of the Roman Empire and what may prove to be the decline of our own civilization. It might be recalled that the greatest strength and vitality of the Roman Republic stemmed militarily, economically, and socially from the sturdy middle-class yeoman farmer who strongly valued his own dignity and the institutions surrounding it—above all, family and property. These are the men who made Rome's legions unbeatable and Rome's economy sound.

It is to state a truism to repeat the tale of Rome's decline: the great absentee-owned estates centralizing all economic power in a few hands and driving the yeoman farmer from the soil, the vast bureaucracy and crushing taxation that literally destroyed the Roman middle class, the great mob of unemployed, without profession, dignity, or purpose, who filled the streets to clamor for bread and

circuses. It is the very collapse of the old Roman character, the destruction of the sense of human dignity, the elimination of the middle class, and the tremendous centralization of economic and political power that produced these effects that ultimately destroyed one of the most enduring and successful experiments in government in the history of the world.

The destruction of human dignity and personal freedom brought about by centralized political control and the assault upon private property is hardly conducive to the variety and vitality of individual personality and private social institutions that are necessary to preserve a free society. The nameless, faceless, mass man increasingly produced by modern society is the greatest possible threat to purposeful human existence.

Screwtape gets the message across quite plainly: "You remember how one of the Greek dictators (they called them tyrants then) sent an envoy to another dictator to ask his advice about the principles of government. The second dictator led the envoy into a field of grain, and there he snicked off with his cane the top of every stalk that rose an inch or so above the general level. The moral was plain. Allow no pre-eminence among your subjects. Let no man live who is wiser or better, or

more famous, or even handsomer than the mass. Cut them all down to a level: all slaves, all ciphers, all nobodies. All equals. Thus tyrants could practice, in a sense, 'democracy.' But now 'democracy' can do the same work without any other tyranny than her own. No one need now go through the field with a cane. The little stalks will now of themselves bite the tops off the big ones. The big ones are beginning to bite off their own in their desire to Be Like Stalks."<sup>3</sup>

#### **Ample Warnings of Excesses Have Gone Unheeded**

Standardized ciphers produced by such a system are scarcely qualified for the high degree of self-government required by the American tradition of federalism. Tocqueville warned that the quantity of information, interest, and discernment necessary to make our system work was great indeed, and warned that should that discernment ever languish, Americans would fall beneath the yoke of a centralized administration. We still have many freedoms and many individual and institutional differences left to us by our legacy. But, as David Hume once wrote, "It is seldom that liberty of any kind is lost all at once."

Daniel Webster warned long ago

that if this nation, with all of its unique opportunities, should ever prove unable to preserve representative government, then the world's hope of achieving lasting liberty would be slight indeed. Half a century after Webster, Lord Acton speculated upon the possibility of maintaining a system of representative government and genuine liberty and found the key to that system in the limitation and diffusion of power exemplified by American federalism.

In our times, that system is under heavy attack. What makes this attack often doubly dangerous is presented in the words of Dean Inge: "History seems to show that the powers of evil have won their greatest triumphs by capturing the organizations which were formed to defeat them, and that when the devil has thus changed the contents of the bottles, he never alters the labels. The fort may have been captured by the enemy, but it still flies the flag of the defenders."<sup>4</sup> As a case in point, consider the misnomer of "Creative Federalism," the label given to the grants-in-aid program, whereby centralized spending and centralized decision-making is undercutting state and local government. What such a system

<sup>3</sup> C. S. Lewis, *The Screwtape Letters* (New York: Macmillan Co., 1962), p. 165.

<sup>4</sup> Dean Inge, *Christian Ethics and Modern Problems* (London: Hodder and Stoughton, 1930), p. 138.

might be creating is open to discussion, but it surely isn't federalism.

### **The Tradition Re-examined and Steps Toward Restoration**

In the face of such semantic erosion, it is necessary to understand thoroughly our American tradition of federalism in all of its historical continuity. Such an understanding is the first step in the resuscitation of the tradition.

The second step is to realize the great vitality that the tradition retains in our time despite the attacks upon it. The electoral college, with its emphasis upon block voting for states, is clearly not in the nose-count pattern of democracy espoused today, yet the innumerable proposals for "reform" of the system have remained in the planning stage. Despite all the talk about direct, unlimited democracy, this nation has *never* in its entire history had a single direct all-national vote on any elected official or issue, not even on the adoption of the Constitution itself. American political parties continue to demonstrate the vitality of American federalism. Our parties are unique. Unlike the doctrinaire political parties of other nations, ours are extremely flexible and contain within their ranks room for all sorts of local and regional attitudes and

interests in both the social and economic spheres.

Democratic reform is often best conducted on local or state levels, notwithstanding views to the contrary by the central planners (who apparently feel that nothing worthwhile ever gets done unless they do it). In the words of Felix Morley: "Indeed, one of the great virtues of federalism is the power given to the constituent units to adopt experimental measures in accordance with the wishes of local majorities, without imposing such developments on sections not ready or willing to go along . . . political democracy is thus localized or qualified, but in no sense denied under the American system."<sup>5</sup> This is what William Penn called keeping "the power in the people," and encourages the individual citizen to exertions for his own sake without the stultifying effects of centralized control.

The can of beans which the grocer exchanges for the housewife's thirty cents, because he would rather have the thirty cents and the housewife would rather have the can of beans, epitomizes the billions of transactions that constantly occur in this country without centralized planning or control. The multiplicity of such

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<sup>5</sup> Felix Morley, *Freedom and Federalism* (Chicago: Henry Regnery Co., 1959), p. 54.

individualized decision-making in the economic and social realm reflects the genius of the typical American for running his own business better than the central planners can do it for him.

### **Signs of Strength and Recovery**

Not only is there a lot of vitality left in the old system, but there are signs as well of a developing pressure for increased decentralization in American political life. In recent years, the state Chief Justices Conferences and the American Bar Association, both organizations of tremendous influence in American legal and political life, have been insisting with increasing intensity that the time has come for the Supreme Court to begin to exercise judicial restraint and to return to a more strict interpretation of Constitutional law. The value of the federal concept is becoming increasingly popular in other places as well. Peter Drucker, in his *Concept of a Corporation*, has demonstrated the tremendous success of the federal principle when it is applied in American big business. It seems that decentralization of decision-making and the growth of individual responsibility which this produces is a very effective way of getting things done in the business world. Well, it should be; Americans have a lot of experi-

ence with that approach. We've been doing it for 350 years.

Another sign of the continuing vitality of the American tradition of federalism is the strong local and institutional loyalty which persists among the American people. Private schools, church organizations, geographic areas, and ethnic groupings have resisted the attempt to make one big "great society" out of them. Defining community as a "union of men, through love and common interest for the common welfare," Russell Kirk has spoken in defense of such diversity: "Community and collectivism are at opposite poles. Community is the product of volition; collectivism of compulsion. Community stands for variety and intricacy; collectivism, for uniformity and arid simplicity."<sup>6</sup>

Americans have also continued to insist that the church and not the state is the center of morality. It is one of the founding fathers of the modern totalitarian state, Nikolai Lenin, who regarded religion as "the opiate of the people," but it is one of the founders of our American tradition of federalism, George Washington, who insisted that religion is the "indispensable support of political prosperity." As T. S. Eliot suc-

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<sup>6</sup> Russell Kirk, *Prospects for Conservatives* (Chicago: Henry Regnery Co., 1956), p. 129.

cinctly phrased it in *The Idea of a Christian Society*, "Reject God and you might as well pay your respects to Hitler or Stalin." If William Penn's warning that "man ultimately will be governed by God or by tyrants" is correct, the American insistence upon the continuing diversity and vitality of American religion suggests that the people of this nation are unwilling to accept the tyranny of centralized control.

### **Self-Discipline by Free Men**

If the federal system is to stand as a barrier against the expansion of the state into more and more of American life, the self-discipline of free men must be exercised; and self-discipline is a moral question that depends upon the character of the individual. People ultimately get the government they deserve; and whether the control by the national government is the cause or the effect of a decline in the American belief in self-help, the best defense against a further extension of governmental authority and the best means of rolling back the tide is a reassertion of the individual moral ethic. In a word, if we would preserve liberty, let us begin at home. The point of the federal system, as the Founding Fathers, Tocqueville, and any number of other political thinkers have made

clear, is the protection of the framework within which these individual choices may be made.

While deciding where we go from here, we might also recall that the collective idea has suffered its reversals as well in modern times. The economic and political troubles plaguing the Marxists have persisted now for enough years to alert the world that there might be something wrong with such a system. Here in our own country no American politician with any serious ambition for public office would dare to call himself a socialist. The Constitution with its balance of powers and interests remains very much on the books; the concept of private property is so strong among the American people that even the most ardent collectivist is careful always to phrase his attacks on that institution in the most misleading and innocuous terms. And we remain a religious nation and a nation with considerable sense of respect for the institution of the family.

### **Look to More Freedom, Not Less**

Our problem then, is not the creation of a genuine rule of the people, but a conservation of the institutions and ideas that are already deeply rooted among us. If the problem of slavery and its latter-day offshoot, civil rights,

together with some of the adjustments that have been brought about by industrial capitalism, have placed strains upon this traditional system, at least the system remains in operation with a federal union and a wide range of personal and institutional liberty that has produced a greater social mobility and wider material prosperity than any other system in the history of the world.

Throughout American history our people have maintained a constant suspicion toward power encroachment on the part of the state. And while crises such as war and depression, or some sort of sectional, class, or racial strife, have tended to centralize power, we have met these crises and still retain much of that healthy American prejudice against unlimited governmental power. If our system has had problems, we might speculate as to how a greater faith in individual liberty could have solved them. For example, is it possible that the free market might have averted the Civil War? If the abolitionist do-gooders had not built political pressure into war, might not slavery have become such a costly anachronism in an increasingly industrialized America as to have died a natural death?

Similarly, a persuasive case by such men as Professor Benjamin

Rogge and Professor Milton Friedman has been made to suggest that the free market could well provide the best answer in the solution of racial prejudice. They have been making quite clear the negative, repressive effects of coercive political interventions, interventions which have their most destructive effect on the very elements within society they are supposedly designed to help. If the Negro can't get a job, he owes much of his difficulty to minimum wage legislation and to the monopoly situation produced by the labor legislation now on the books in this country. If the Negro can't get a place to live, he owes much of his difficulty to the whims of urban renewal. It is not the free society that has hurt the Negro, but rather the political interventions interfering with the free society.

### ***Faith in Ourselves***

Our political heritage should have taught us by now that some problems of society are not capable of solution by the mere passage of a law; the greater the diversity allowed within the system to let problems work themselves out, the more likely it is that the solution will fit the problem.

If we need faith in our system to allow it to work, we also need

faith in ourselves to be able to say "No!" If the states would come to understand how expensive a Federal handout proves to be, they could say "No!" If Congress, as the branch of the national government most representative of the diversity of American interests, really comes to understand the dangers inherent in centralization of all power within the executive branch, it can say "No!" most effectively to the presidency and the bureaucracy. Federal programs without congressionally appropriated funds to operate them are nothing more than castles in the sand. Above all, the individual American in the exercise of his political franchise, as well as in his economic and social decisions, still has the power to come up with the biggest "No!" of all.

It is the totalitarian thinker who prides himself upon being "monolithic." But Stephen Spender has remarked: "They are congratulating themselves on being dead: and it is for us to see that they do not turn the whole world into their cemetery."

### **A Vital and Honorable Heritage to Be Preserved**

Our tradition of American federalism has a long and honorable heritage and is perhaps the greatest success story in the world's history. It retains great vitality in our own times and the means are readily available to Americans to further invigorate the concept. As Lincoln suggested in his Cooper Union address: "Let us be diverted by none of those sophistical contrivances wherewith we are so industriously plied and belabored — contrivances such as groping for some middle ground between the right and the wrong." That insistence upon choosing between right and wrong is a matter ultimately of individual moral responsibility. And as this nation and its heritage constitute freedom's last, best hope, the necessity for individual moral responsibility was never greater. It is as true today as when Dante said it centuries ago: "The hottest places in hell are reserved for those who, in a period of moral crisis, maintained their neutrality." ♦

#### IDEAS ON LIBERTY

### **Maxwell Anderson**

THE GREATEST ENEMIES of democracy, the most violent reactionaries, are those who have lost faith in the capacity of a free people to manage their own affairs and wish to set up the government as a political and social guardian, running their business and making their decisions for them.

# F R E E D O M : O U R D I L E M M A

W. WATTS BIGGERS

IF WE ARE FREE MEN and if freedom is the cornerstone of our ideology, have we not already achieved ideological perfection and thus become a nation of people without an aim? In short, is the ideological road to freedom nothing more than a dead-end street?

No! If some of us are people without an aim, this is because we have failed to recognize a simple yet most important fact: *We are not free.*

So long as a single man is bound by the chains of prejudice, ignorance, or fear, we are not a free people. The fact that we are not surrounded by concrete walls or steel bars blinds us to the fact that barriers just as real and just as important prevent us from being free. One man may be struggling to free himself from ignorance, another

from prejudice, another from fear — but they are all prisoners. And each of us has a responsibility to these men and to ourselves to join in the battle for freedom.

Could we really be free and still hate each other? Am I free if some prejudice instilled in me as a child prevents me from judging all men on the basis of their individual merits rather than race or creed? Are any of us really free when, in moments of stress or panic, we are guided by twisted fears or primitive instincts rather than sane common sense?

*We are not free.* The brave men of this country who give their lives in wartime do so in order that we, the living, may be outwardly free to work toward a far greater freedom. It is our failure to live up to this responsibility — our failure to understand the true dimensions of freedom — which has made many of us lose our way.

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Mr. Biggers heads the Biggers and Stover firm of advertising consultants in Massachusetts and also is President of Total Television Productions.

We have failed to see our responsibility; to recognize that it is our duty to struggle for greater freedom both for ourselves and our neighbors. Make no mistake about this: If a man is truly searching for freedom — struggling to untie the knotted cords within himself — then he cannot be crass and materialistic; he cannot be solely concerned with fame and fortune.

If a man is struggling for freedom, he will not devote all his non-working hours to the pursuit of flimsy, meaningless “entertainment.” Rather, he will recognize that increased knowledge means increased understanding of ourselves and of others, and only through such understanding can freedom be gained.

The man who struggles for freedom will not confuse freedom with license. He will recognize that only through full regard for the rights of others can he hope to keep even the degree of freedom he has now; that any crime he might commit, however large or small, would violate his own right to this freedom. And so, he will be law-abiding out of understanding, not out of fear of penalties prescribed by law.

The man in search of true freedom is a man attempting to find himself. Each job he undertakes he will attempt to approach in a new way — his *own* way, in the way best for him — and, in this

manner, he will attempt to fully utilize his own particular talents. He will try to see and think for himself, to free himself from conformity and, thereby, bring to the forefront his own individuality.

### **Each Advance Affords New Opportunities—and Responsibilities**

Man moves toward freedom slowly — one step at a time. If he achieves physical freedom or religious freedom or political freedom, he simply opens up another frontier of freedom — the fight against the enemy within himself. And he must recognize that each new freedom gained places additional responsibility on his shoulders. The continuation of his own search for freedom demands a society in which all men are free to work out their own destiny; and so, along with his individual struggle, he has the responsibility to work toward attainment or preservation of outward freedom for all men everywhere.

The man struggling for freedom will understand that revolutions may be fought because men are not physically, politically, or spiritually free, but that *wars* are fought because men are not free from the animal within; that the assured continuation of our free society by way of permanent peace will be possible only

when all men everywhere are on the road which leads to complete freedom.

But this road is no four-lane highway. It is a narrow road filled with pain and suffering, a road with treacherous conditions: wet with the blood of men enslaved; darkened by the shadow of gallows; filled with rubble from wars of revolution; made a nightmare by the conflicting wants, passions, hatreds of every individual; made almost endless by the steel-like grip of man's powerful animal heritage.

No man can travel this road for another. No man can give to another the rewards which lie thereon. No man can force another onto the road to freedom nor force him to leave it except by death.

There are no shortcuts to the end, nor any special modes of transportation to quicken the journey or make it more comfortable. It is a long road, but it is the only one which can lead to

the fulfillment of mankind's great potentiality.

We, as individuals, can best protect the degree of freedom we now have by joining in the struggle for still greater freedom — by working to rid ourselves of hate and fear; by understanding that each man is a participant in this struggle and therefore our brother; by fighting against conformity, and struggling to realize our own true individuality, and helping others to do the same; by recognizing the power of our still primitive instincts and struggling to overcome them; by fighting against poverty and ignorance and hatred and prejudice wherever we meet them; and, finally, by helping ourselves and others to understand that only in the fight for greater freedom can we possibly find self-fulfillment.

No, the road to freedom is no dead-end street. We have simply stopped moving. It is time we started again. ◆

#### IDEAS ON LIBERTY

#### *John Stuart Mill*

IT IS AN ABUSE of the principle of equality to demand that no individual be permitted to be better off than the rest, when his being so makes none of the others worse off than they otherwise would be.

# The Challenge of BUSINESS

TOM ROSE

CONGRATULATIONS on the successful liquidation of your Junior Achievement Companies.

That none of your companies ended up its fiscal year with a loss in a way disappoints me, because losing money can provide a very instructive lesson: Our American enterprise system isn't only a *profit system* — it is a *profit and loss system*.

As a Junior Achiever, these are some of the things you might have learned about business in general:

1. A business corporation is not a cold, impersonal, legal entity. Rather, it is a living and dynamic association of people. And each person in it has his own mixture of strengths and weaknesses, hopes and fears. Each corporate

member has a worthwhile contribution to make. Each is a sacred creature of God — who, as such, merits your respect and cooperation, even your brotherly love.

2. If there is one word that denotes the essence of our modern business world, it is the word "voluntarism." Or, if we want to use two words to signify this essence, we would use the words "voluntary cooperation."

A company — whether it is a small one-owner organization, a partnership, or a large international corporation — is, above all, a voluntary association of individuals. Each participant is free to terminate his association whenever he chooses. And the mastic which is used to cement each individual to this voluntary association is his hope to gain personal profit from it. For some, this profit or benefit is received in the form of wages; others receive it

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From a speech delivered at the Future Unlimited Banquet, May 5, 1966, Junior Achievement, Fort Madison, Iowa. Mr. Rose is Director of Economic Education, Associated Industries of Missouri.

in the form of dividends. And to many, the benefit is received as both wages and dividends. Many employees in modern corporations play a dual role of worker and owner. In this respect, they are self-employed.

The point I want to make is this: the catalyst of all voluntary cooperation between individuals is the hope of mutually benefiting through such cooperation, i.e., mutual profit. This is what makes big companies and little companies beneficial to all.

3. Now, a word about problems. A problem is an opportunity in work clothes. Never complain about problems in the business world; because without problems to be solved, a business isn't a business at all. It's an extinct fossil; it is dead.

Business problems — and they come in all sizes, shapes, and disguises — are simply opportunities for personal growth.

In talking about problems, let's recognize that no one solves all of them successfully. At times, everyone pulls a boner; and at such times, it's wise to remember the difference between failure and stumbling. Failure is what happens when a person quits. It is final. Stumbling — i.e., falling down and picking yourself up to go on — is turning temporary failures into profitable experiences. This hap-

pens when you use the stumbling blocks you encounter as building blocks for a stairway to success. James Russell Lowell said, "Mishaps are like knives, that either serve us or cut us, as we grasp them by the blade or handle."

4. Let's back away from this word "business" and take a look at it. What is business? Isn't it simply the cooperative process of anticipating and responding to consumer needs in hope of making a profit? And wasn't the efficiency with which your own J. A. Company met consumer needs measured by the profits it earned, or by the losses it sustained?

Your Company provided you with a two-part lesson about our free enterprise system that some people never seem to learn. And I hope you have learned it well.

A. First, that *everyone benefits from a profitable business* in a free market economy. And why is this? Because, in the free market, every aspect of business is voluntary. Business owners and business workers voluntarily cooperate in the process of selling goods and services to consumers. In doing this, they can't help but benefit each other. Consumers, on the other hand, are free to buy or not to buy what producers offer for sale. Since no one voluntarily continues an unprofitable

relationship, the continuing cooperation of consumers, workers, and owners is proof in itself that each group benefits from the role it plays.

B. Second, that *losses* in the free market are limited to *risk takers*. Losses are limited to those dynamic entrepreneurs who are always seeking new ways to maximize profits. They personally stand all losses because, in the free market, there is no way for them to impose their losses on the public. And this is good! It is one of the essential differences between free enterprise and socialism. In a socialist state, the public is forced to share business losses through payment of government subsidies and taxes.

### Specific Lessons

Now, to touch upon some specific lessons from your own J. A. Company which you can apply later on to real life situations:

1. *Investment*: When you ventured out to sell shares of stock in your Company, you learned that investment in businesses doesn't "just happen." The tools, facilities, and materials you used to produce your products didn't materialize out of thin air. They had to be rented or purchased.

This took investment money —

money that first had to be saved. From your personal efforts in raising capital, you should have learned this basic economic fact: Investment money to buy tools of production results from saving, i.e., from postponing current consumption. In other words, in order to create a surplus for investment purposes, each investor had to refrain from currently consuming the amount he invested. And the incentive for people to forego spending in order to accumulate risk capital is the hope for profit. Remember this lesson for later in life. Some day you may want to start a business of your own.

2. *Profit*. The legitimate purpose of all business enterprise is to earn a profit. If it were not for profit, your J. A. Company would not have been formed in the first place. The same holds true for the companies where your fathers are employed. Therefore, the realization of profit calls for no apologies. Rather, the absence of profit can't long be tolerated in any business. Samuel Gompers, the founder of the American Federation of Labor, said:

The greatest crime against the workingman is a company without profits because a company without profits means workers without jobs.

Profit isn't a cost borne and

paid for by consumers. Profit isn't added on to the market price of what we buy. It is residual. Profits are earned by companies which are successful in reducing and keeping production costs under market prices. Because profits are so hard to come by, some businessmen occasionally say something to the effect that "every company is entitled to a fair profit." If so, who is to determine what "fair" is? The owners of a company? . . . certainly not. The workers? . . . no, again. The government? . . . heaven forbid!

No, only *consumers* can fairly determine what rate of profit a company should earn. They do this through buying or refusing to buy the company's products on the competitive market. Sometimes this rate of profit will be very high. Other times it will be very low—or even nonexistent. Whatever it is, if consumers determine profit by free choice, it is sure to be fair. When allowed to function freely, the free market is absolutely fair to all concerned.

3. *Losses*: We've been talking about profit. How about the negative aspect of profits, that is, losses?

The fear of financial loss is a good thing. It is a necessary part of our free market system. The fear of losing money, like the hope

for profit, acts as a powerful spur in stimulating businessmen to serve consumers more efficiently. In short, profits and losses serve as traffic signals to businessmen: The red signal of loss says "Stop! You're not doing too well." The green signal says "You're doing fine! Keep up the good work!" With the red light of loss, consumers signal a businessman to reduce investment and employment. With the green signal of profit, they invite him to increase investment and employment where he is meeting consumer needs most efficiently. Thus, losses as well as profits serve a useful purpose in directing production to benefit consumers.

4. *Wages*: Wages depend on productivity. And high productivity takes good tools, good technology, and willing cooperation with management.

An increase in real wages goes hand-in-hand with increasing productivity. A good wage structure needs a solid foundation of productive effort to support it.

5. *Costs and Prices*: Many people have the mistaken idea that there is a direct relationship between production costs and prices. They think that businessmen can compensate for increased production costs by boosting prices to consumers. People who hold this

mistaken idea forget about the voluntary role of consumers in our free market system. They forget that consumers are free to find cheaper substitutes or, in many cases, to do without.

Production costs don't determine market prices. Rather, it's the other way around: market prices limit the total amount of costs a businessman can allow to go into the product he sells. The fun and challenge of producing something for use in the free market is to determine what consumers will pay for it, and then to manage your company so that production costs will be less than this figure. This is the challenge of the free market.

6. *Business-Workers and Business-Owners*: There are elements in our society that strive to create dissension between business-owners and business-workers. They divide society into little compartments called "labor" and "management." Then they try to foment "war" between the groups they themselves have created.

The well-being of employee and employer cannot be separated. They are two sides of the same coin. What is good for one is good for the other. The mutual interest of employees and employer far outweighs any artificial differences that might be created between

them by others. This common interest is to serve consumers, a company's only source of income—and to serve them at a profit. This calls for helpful cooperation instead of harmful strife.

Class warfare is a Marxist idea. If workers and owners serve consumers efficiently, a competitive labor market will assure fair distribution of the consumer dollar.

The reason a free market society will outproduce any other society is individual freedom; i.e., the right and freedom of each person to use his property and talents as he sees fit, with a minimum of interference from others (and especially from government). The reason why individual freedom works to the advantage of all is that the owners of land and capital can't get much benefit from their wealth unless they use it to serve the needs of consumers.

And, in considering the challenge of business, may we remember that the difference between mediocrity and outstanding success is seldom very great. The difference is not found in brilliant flashes of genius. Rather, it lies in a small degree of extra performance and hard work put out over an extended period of time. This also applies to organizations. Thus, a company's economic success depends on the number of individuals who understand and cooperatively ap-

ply this secret at all levels of the organization.

I would close with this inscrip-

tion, dated 1692, from the wall of Old St. Paul's Church in Baltimore:

## DESIDERATA

GO PLACIDLY amid the noise and the haste, and remember what peace there may be in silence. As far as possible, without surrender, be on good terms with all persons. Speak your truth quietly and clearly; and listen to others, even to the dull and the ignorant; they too have their story. Avoid loud and aggressive persons; they are vexatious to the spirit. If you compare yourself with others, you may become bitter or vain, for always there will be greater and lesser persons than yourself. Enjoy your achievements as well as your plans. Keep interested in your own career, however humble; it is a real possession in the changing fortunes of time. Exercise caution in your business affairs, for the world is full of trickery. But let this not blind you to what virtue there is; many persons strive for high ideals, and everywhere life is full of heroism. Be yourself. Especially do not feign affection. Neither be cynical about love; for in the face of all aridity and disenchantment, it is as perennial as the grass. Take kindly the counsel of the years, gracefully surrendering the things of youth. Nurture strength of spirit to shield you in sudden misfortune. But do not distress yourself with dark imaginings. Many fears are born of fatigue and loneliness. Beyond a wholesome discipline, be gentle with yourself. You are a child of the universe no less than the trees and the stars; you have a right to be here. And whether or not it is clear to you, no doubt the universe is unfolding as it should. Therefore be at peace with God, whatever you conceive Him to be. And whatever your labors and aspirations, in the noisy confusion of life, keep peace in your soul. With all its sham, drudgery and broken dreams, it is still a beautiful world. Be cheerful. Strive to be happy. ◆

# Organized Irresponsibility

CLARENCE B. CARSON

MUCH of the criticism of government officials, bureaucrats, and politicians is beside the point. Stories are legion of attempts to contact the appropriate bureaucrat to deal with some matter, particularly in Washington, and getting the run-around instead — shunted from one person to another, told that the proper official is in conference, that he is on leave, that he cannot be reached at present, and so on. The difficulty may well become insurmountable if there is an attempt to place the blame for some action. Such experiences may build pressure for yet another commission to be appointed, in the manner of the old Hoover Commissions, to investigate the bureaucracy and recommend change. A new President may become so ex-

asperated trying to establish clear-cut lines of authority and responsibility that he will press vigorously for reorganization. These are attempts to treat the symptoms, however, not the disease.

In like manner, businessmen will say of some government bureaucrat: "He never met a payroll in his life." The thought behind this caustic remark is that if the official had employed men, if he had been responsible for accumulating the money to pay them, if he had to provide goods and services to get the money, he would understand the problems of the businessman. And if he understood, he would be more lenient, would modify the rules, would make more tolerable decisions in the area of his authority. There are many variations on this theme. Has the building inspector ever

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built a house? Has the sanitation inspector ever done any plumbing? Has the labor arbitrator ever employed men? Has the Interstate Commerce Commissioner ever run a railroad? The answers seem quite important to those who find themselves harassed in one way or another by government officials. Yet, they do not matter much. The underlying flaw of the system would still be there, though each of the above questions was answered in the affirmative.

#### **"Let George Be Responsible"**

Superficial attempts to improve the situation have followed upon the superficial analyses of the problem. Most notably, there has been much talk in recent years about men behaving responsibly. Businessmen are exhorted to act "responsibly" to avoid the "necessity" of government intervention. Labor union officials are begged to be "responsible" in their demands upon industry. Newspapers are expected to be "responsible" in what they report. College professors should be "responsible" in their pronouncements. It is widely held that rights and privileges have corresponding responsibilities and that even "civil rights" advocates should be "responsible" in their advocacy. While such exhortation may have

some effect on the behavior of men, it is more likely to impress children. It is a confidence game, an attempt to sway men to behave contrary to the way they are impelled and encouraged to act by the established system.

In fact, we have widespread and pervasive organized irresponsibility in America. It makes little difference whether government bureaucrats have met a payroll, whether Interstate Commerce Commissioners have run a railroad, whether labor arbitrators have employed men, and so on. No reorganization of the bureaucracy under the present system will go very far in making government officials accountable for what they do. In numerous cases the exercise of power has been cut off from the consequences of the action, and the use of authority has been disjoined from responsibility for results.

To understand this, it will be useful to get clearly in mind the nature of responsibility. The following ideas are closely associated with responsibility: obligation, chargeable, accountable, liable, amenable, and answerable. Philosophically, the meaning of the word is derived from the idea that individuals *respond* to that which confronts them; they make choices and act; by choosing and acting, they become *responsible* for the

results. For example, a man fathers a child; by so doing, he becomes responsible (is obligated) for the rearing of the child. Responsibility is personal and individual; it has to do with cause and effect, with the relationship between what one has done and the consequences of it.

### **Individual, Social, Legal**

There are three elements which, when taken together, reinforce one another and make for full-fledged responsibility. First, there is the individual's sense of obligation to meet his responsibilities. For example, a man buys something for which he contracts to pay over a period of time. He has willingly entered into an agreement; he has obligated himself to make payments when they fall due. His sense of responsibility may lead him to meet the terms of his contract. Second, there is social responsibility. As to the particular debt in question, society would appear to have no interest. Yet it does. The individual in question has dealings with others. They are interested in knowing whether he pays his debts or not. If he does not meet his obligations promptly, this failure will affect his credit rating (a social instrument), and men may cease dealing with him in any matter that involves time

considerations. Thus does society hold men responsible. Third, there is legal responsibility. A creditor may go into court to get a judgment against the debtor. To enforce this judgment, the creditor may, in the final analysis, attach the debtor's possessions, garnishee his wages, or throw him into bankruptcy (have him proclaim his irresponsibility to the world). Analogous procedures must be in effect in all areas of life for full-fledged responsibility to exist.

### **A Slow Erosion**

A generation has been brought up to believe that men are not responsible for their acts. This is an overstatement of the case, of course. Children are still taught that they are responsible — sometimes and in certain areas — for their actions. Adults, some of them, still have a sense of responsibility and can be held socially and legally accountable for actions. The truth is, however, that this responsibility is being eroded away. The erosion has occurred gradually and piecemeal in America, for the most part. We are seldom told anything so general and all embracing as that men are not responsible for their acts. To do so would raise the question of the philosophical implications of such a position.

Rather, subtle doctrines of irresponsibility have been spread over a period of several decades. Men are the products of their environment, we are told. Responsibility is collective, another version goes; society is to blame. For more than a century the doctrine that institutions have corrupted men has had its advocates. Others hold that men are factors of their class or economic situation. Socialists, following the lead of Marx, generally have held some variation of the doctrine that changes in technology produce tensions in society which result in the different views and actions.

In particular, we are told that criminals are the products of bad environment, infantile frustrations, social maladjustments, and so on. Labor violence is supposed to be the product of exploitation. Race riots, even an Attorney General may proclaim, are the results of deprivation. Revolts, whether of college students or of would-be nations, are the consequences of oppression.

In short, we are led to believe by subtle explanations — and in particular instances which, when taken together, include almost all cases — that men are not responsible for what they do. It is not possible, of course, literally and consistently to apply these doctrines in a society. Society cannot

feel a sense of responsibility or guilt (for that matter, it cannot feel anything, for it is not sentient). The environment cannot be locked up. Technology cannot be reformed by a period in reform school. To say that entities of this character are responsible is the practical equivalent of saying that no one is responsible and nothing can be done about it. Those of the naturalistic persuasion (popular among some intellectuals in the latter part of the nineteenth century) quite often drew just that conclusion from the doctrines.

### ***Destroy and Rebuild***

But the doctrines of individual nonresponsibility can be and have been applied selectively for attaining certain objectives. They are most effective ideas for destroying the social system of responsibility, and, for that matter, civilization itself. Such doctrines are effective in destroying the individual's sense of responsibility (called guilt feelings in the argot of certain psychologists). If believed, these doctrines inhibit the practice in society of men holding others responsible. And, of course, these doctrines of nonresponsibility can be used to remove legal responsibility. In short, they can be and have been used for destructive purposes.

They have also been used as the basis for attempting to construct a new social system. That is, these doctrines have served as arguments for using government power to change the environment. Efforts at remolding institutions are spurred by those who believe such ideas. Collective practices have been advanced to replace the system of individual initiative and individual responsibility. The result, however, is not a new system of responsibility. It is, instead, organized irresponsibility, that is, irresponsibility institutionalized and made a part of the way of life of a people. Exhortations to people to be responsible are replacing the system of responsibility.

Some examples will demonstrate how this has occurred. It has been going on for several decades now and is gradually extended into more and more areas of life. One of the most conspicuous instances of organized irresponsibility is that of the so-called independent boards and agencies of the Federal government, though those of many of the states are equally so. Among such organizations of the Federal government are: Interstate Commerce Commission, Securities and Exchange Commission, Federal Reserve Board, National Labor Relations Board, Federal Power Commission, and so on. Of a similar character so far

as responsibility is concerned are the government corporations such as the Tennessee Valley Authority.

### **Powerful Agencies**

There are several angles from which to view the irresponsibility of those within these organizations. First, they are government agencies. Those who exercise the powers of government appropriate monies most of which are not their own. They pass laws which apply to the population generally, not just to themselves. They make war and peace, make treaties of alliance and commerce, employ workers, have charge of an extensive constabulary, and may use force to obtain obedience to their commands. All of these powers affect the lives of many more than those few who actually exercise them.

In the United States, many devices were adopted to make those in government responsible or to give them as little leeway as possible to act irresponsibly. Perhaps the most important of these was a written constitution in which the powers of government are enumerated and government is specifically forbidden to enter certain fields of operation. The powers of government were divided among three branches so that quest for power by any person or branch would be supposed to be

negated by the jealousy of other branches. Those who appropriated monies were made responsible to the people from whom the monies came by being made subject to election at frequent intervals. Those in government were supposed to be subject to the laws passed, and those who execute the laws and spend the monies were to be accountable for their stewardship to Congress and to the courts.

### **Interstate Commerce**

The Interstate Commerce Commission was the first of the "independent" agencies organized to evade many of the devices for holding responsible those who govern. Since its founding in the 1880's, its power has been increased to include setting minimum and maximum transportation rates, deciding what services must be performed or may be discontinued, approving or disapproving mergers, and so forth. Legislative, executive, and judicial powers, rather than being separated, have been blended in one body, so that the quest for additional power by this organization is not at the expense of other political branches but of the owners of transport facilities. Congress authorized the Commission, but it operates "independently" of Congress. The Executive appoints the

members, but they serve for a period of years and are therefore "independent" of the Executive. In short, the Commission — and others like it — is not responsible to the electorate. No election has ever been held where the actions of boards and commissions were sufficiently at issue to say that they have been either popularly approved or disapproved. Nor is one likely to be. These agencies are "independent," independent of the people — that is, politically irresponsible.

In the final analysis, though, the Interstate Commerce Commission — and all who exercise like powers — would be irresponsible even if it were a committee of Congress or a department of the Executive. The actions themselves are irresponsible. When the Commission sets a rail rate, its members are not responsible for operating a railroad on the revenue derived. When it prescribes that services must be rendered at a particular station, it is not responsible for providing these services. If the regulated company goes bankrupt, the Commission does not have to pay the bills. The members of the Commission can make decisions with virtual financial and legal impunity. They are not responsible — even when they circumspectly refrain from harmful decisions; the transport compa-

nies, in such case, have only escaped by *chance*.

### **Degrees of Irresponsibility Among Various Agencies**

The same charge of irresponsibility is valid against other government boards, commissions, and corporations in varying degrees. The members of the Federal Reserve Board cannot be sued, in consequence of their monetary manipulations, for the loss of value of the money which people hold or have owed to them. The Securities and Exchange Commission will not make good losses suffered on the stock market as a result of its action or inaction. The National Labor Relations Board does not pay those workers to whom it awards back pay. The board which controls the Tennessee Valley Authority neither pays for the work it hires to be performed nor does it make good any losses incurred by the Authority.

It should be pointed out, however, that the boards which control government corporations do have some responsibilities. If there are degrees of irresponsibility, the board which directs the Tennessee Valley Authority is not as irresponsible as the Interstate Commerce Commission. The members of the board, or their agents, do undertake to provide services, do meet payrolls, do enter into

contracts, and are in some ways accountable for their actions.

Governmental irresponsibility is widespread, and does not necessarily involve violations of the principle of the separation of powers. The enactment and raising of the minimum wage has been irresponsible. By this action, Congress compels employers to pay a certain wage, but it takes no responsibility for this. That is, Congress does not raise the money to meet the payroll. If men lose their jobs because the employers cannot pay these wages, the individual members of Congress do not undertake to provide them with employment by paying them out of pocket. Nor, if the employer goes out of business, can he sue Congress for damages. Equally irresponsible are Congressional rulings regarding hours of labor.

### **Who Pays for Mistakes?**

Something should be said under the heading of government financial responsibility for what its agents do. The United States government and the governments of states do engage in numerous business undertakings such as building roads, maintaining post offices, providing education, setting up corporations, and so forth. Government agencies are not liable for payment of damages in the same way that private corpora-

tions, partnerships, and individuals are. Governments can be sued, of course, with their permission. The winner of a suit against some government may recover damages. But there the similarity with private suits ends. Congress may appropriate money to pay damages, but the individual members of Congress do not pay for this; at least, they pay no more than any other taxpayer. This is another way of saying that the government is not responsible for injury done to others. It merely passes on the claim to the taxpayers. By contrast, private companies and individuals are responsible for injuries done.

#### **Federal Aid Uncontrolled**

Government responsibility is often attenuated, at best, but many of those who have labored to get government involved in more and more things have also worked to remove the last vestiges of responsibility. The public schools afford an example. It is a common saying that politics ought to be kept out of the schools. If those who say this meant that government should get out of the business of education, it would make sense. But that is not their meaning. They favor government support of education but do not wish political intrusion in the management or control of the

schools. They would have the populace support the schools but deny the people a voice in the management of the schools. For politics is the means by which popular consent is given and denied in America. Those who want to keep politics out of the schools want government support without government control, whether they know it or not. In short, they propose to make the public schools completely irresponsible.

Long strides have been taken toward making those who teach in schools and colleges responsible to no one. This has been accomplished to considerable extent under the doctrine of academic freedom and the practice of tenure. These two things combined are supposed to leave the teacher free to say and teach what he will (theoretically, though not practically, bounded by a restriction that it be within the area of his competency). He is responsible to no one for what he teaches.

#### **Other Abuses of Privilege**

Irresponsibility abounds in America today. Aid to Dependent Children permits men to father children and women to give birth to them without assuming the full responsibilities of rearing them. Various government agencies relieve children of the responsibility for caring for aged or in-

firm parents. So-called civil rights leaders preach hatred of men, practice trespass, and encourage the destruction of property without being held responsible for what they do. Those dependent upon government for a livelihood are permitted to vote, and thus to vote themselves benefits at someone else's expense. Union leaders press for wage increases which they do not have to pay. Congress votes increase after increase in the Federal debt, with no provision for paying it. It has been years since any reduction of the debt has been made. Policemen are not held responsible for violating the rights of the accused; instead, criminals are turned loose by higher courts when their rights are said to have been violated. Thus, irresponsibility is compounded. Movements are afoot to subvert established political processes by granting to groups power unrestricted by popular consent. Examples of this are civilian review boards and civil rights groups and organizations being given Federal monies to dispense. Irresponsibility is highly organized, vociferous, and rampant in the land.

There is a saying that goes like this: "What you do speaks so loud that I cannot hear what you say." This certainly applies to those who admonish us to be re-

sponsible today. We have been busily removing the supports to responsibility while shouting ever more loudly that men should be responsible. Responsibility depends upon a very real nexus between cause and effect, between actions and consequences, between accomplishments and rewards, between what we do and our accountability for it, not upon a spurious indoctrination of a sense of responsibility. "Independent" boards and commissions cannot be made responsible by proclamation, nor labor leaders by acclamation, nor civil rights workers by asseveration, nor teachers by inculcation, nor parents by vocalizing about it.

### **Penalties Removed**

A confusion of terminology hides the truth from us. In a vague sort of way, the admonitions to boards and commissions are to be *circumspect* in what they do, to labor leaders to be *moderate* in their demands, to civil rights advocates to be *gentle* in their actions. It would be as logical to admonish thieves to take only a moderate amount of money or goods, to admonish assaulters to exert gentle persuasions, or to admonish extortionists to be *circumspect* in their demands — while removing all penalties for criminal behavior. For we have made

long strides toward separating cause from effect, power from responsibility, and actions from their consequences. We are trying to make the individual's spurious sense of responsibility do the work formerly done by individual conscience, social responsibility, and legal accountability.

***The Consequences of the Irresponsible Way of Life***

It requires no major gift of prophecy to foresee the outcome of organized irresponsibility. Indeed, some of the consequences are already with us, and it is necessary only to extend them in other cases. Boards and commissions establish inflexibility in the economy, on the one hand, and produce uncertainty on the other, making businesses difficult to operate, resulting in high prices and poor service. Labor unions paralyze industrial centers and are restrained from extending this to the country as a whole only by a dubious sense of responsibility or the threat of force and involuntary servitude. Academicians fill children's minds with notions that have been tested by neither reason nor evidence. Government action produces unemployment by minimum wages and tries to correct this by heavy doses of inflation. Violence and destruction in the cities, particularly in summer,

makes life increasingly perilous and property insecure.

Freedom becomes license without responsibility. To put it another way, there can be no freedom without responsibility. No man is free when he can have his life taken by murderers who will not be held responsible by the courts, when his ownership of property is vitiated by the control of those who do not receive the consequences of their actions, when his children may be taught any doctrine without his approval or consent, when the actions of others are restrained only by their inward determination to restrain them. Free men are responsible men, else every man's freedom is potentially a trespass upon every other man's.

Nor can civilization survive the constant strain put upon it by organized irresponsibility. The desire to exercise power without responsibility may not be the oldest sin, but it is one of the earliest according to the Bible. After Cain had slain Abel, he wished to avoid the responsibility for it. The desire is there, but the nation that succors it wills its own destruction. Men lose their integrity and are corrupted by organized irresponsibility. Policemen lose their zeal to apprehend criminals when those whom they catch are turned loose. Businessmen turn to lobby-

ing, to influence buying, to the quest for special privilege when their survival depends upon it. Men devise subtle ways to live off the labor of others when government becomes the bounty giver. Workers are seduced into slipshod work and malingering when they can use the threat of violence to hold their jobs. Men gather in mobs to hand out rough and uneven justice when the courts no longer serve society. When men become acclimated to irresponsibility, they do so by becoming weak-willed and irresolute. As children, they fall prey to the strong man who will restore order

by intemperate but widespread use of force.

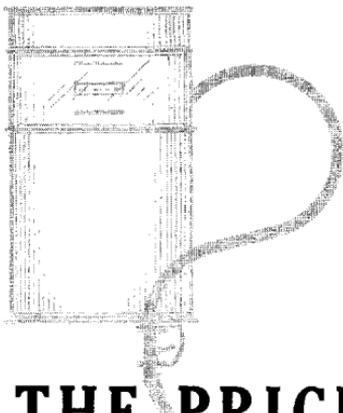
The remedy for this distemper is what it has always been. It lies, first, in the recognition that men are responsible for their acts. Second, it can be developed by inculcating a sense of personal responsibility in individuals. Third, society sustains it by rewards and punishments handed out accordingly as one has been responsible or irresponsible. Lastly, men must be held legally accountable for what they do, and must not be permitted to engage in actions for which there can be no accounting. ◆

#### IDEAS ON LIBERTY

#### *A Paradox*

MANY PERSONS are so reluctant to become involved in other people's affairs that they will stand by and see a fellow man beaten or even killed without intervening. Yet those very same non-Samaritans readily join in great numbers to make other people's decisions for them, meddle in their business, force them to act "for their own good."

JAMES C. PATRICK, Decatur, Illinois



# THE PRICING OF GASOLINE

HAROLD M. FLEMING

GASOLINE PRICES, like the prices of many other commodities, are not easy to understand. Sometimes gasoline price wars seem to spell intense competition. At other times motorists, seeing the same prices to the decimal at nearby stations, may think they are up against conspiracy. Or again they may see across the street a price difference between a familiar and an unfamiliar brand and wonder what it means.

This is understandable. The whys and wherefores of gasoline pricing are of almost infinite va-

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riety. And they keep changing. They involve behavior patterns beyond the powers of the most fertile imagination. Despite the difficulty of comprehension, it is beyond doubt that the intense competition in the business has brought about a record of reasonable prices. In 1964 the average price of gasoline, not including taxes, was 7 per cent less than it was ten years before. And the 1964 variety was much improved.

## *I. The General Price Structure*

The United States gasoline business has a going structure of prices. And these prices, as will be explained, relate only partially to manufacturing and handling costs.

To begin with, there are the base wholesale prices of gasoline

in large quantities at refineries in the key regions.

Then there is a second level of wholesale prices: prices at terminals, before the final fan-out. These are sometimes still called tank-car prices, from the original medium of delivery out of these terminals.

The final and perhaps most important wholesale price is the tank-wagon price, from the supplier or jobber to the retail gasoline dealer, on delivery to the service station.

As to the retail price, there are, with few exceptions, no "manufacturer's retail list prices" in gasoline. The supplier's ownership of the gasoline generally ends at the service-station tanks, and the dealer is then free to set his pump at whatever retail price he chooses.

An important exception occurs when, as in New Jersey since the middle 1950's, some suppliers avail themselves of state "fair trade" laws that permit the manufacturer to set a specific retail price as the minimum to be charged for his branded product.

But major-brand suppliers by no means lose interest in the price of their gasoline when they sell it to the service-station man. The supplier's interest is natural. He wants his brands to be competitive. Most suppliers counsel with their dealers about staying competitive; but, in the absence of "fair trade" or other exceptional

circumstances, the decision is strictly the dealer's.

Independent chains operate differently for the most part. Their station operators are usually on salary. They don't sell to the station operator, but *through* him. They don't suggest the retail price. They set it.

To a small degree, major suppliers are engaged in direct retailing, too. At a station where any supplier is itself the retailer, it, of course, establishes the price.

All the prices mentioned above—wholesale and retail—are so interrelated that they are constantly pulling each other up and down, so what is generally called a price *structure* for the gasoline business might better be called a *fabric* of prices.

*Private Brand Differentials:* Lesser-known brands of gasoline often sell at a price below that of better-known brands. The differential—a frequent bone of contention—may run to several cents a gallon. It is not necessarily due to a difference in quality; but often it is due to a difference in familiarity to the automobile driver or to a difference between stations in services available. Lesser-known brands range in quality from mediocre to the best. They are sometimes said to be sold "on price" while major brands are said to be

sold "on reputation." However, the private brander is naturally interested in *building* a reputation. In some instances these lesser-known private brands are actually owned and promoted by major suppliers.

*Bulk Sales:* There is a category of gasoline sales whose prices hardly fit into the above-mentioned structure or fabric of gasoline prices at all. These are sales to large-scale buyers such as bus lines, truck fleets, highway contractors, cab fleets, the federal government, states, cities, and so on. In the trade, these are generally called "consumer sales," because the buyers consume the gasoline themselves; they do not resell it.

Prices on such sales are often low — sometimes below those to jobbers or dealers. Some of the reasons are obvious. These are quantity sales. Costs are low and credit risks small. No advertising or merchandising is required. And they frequently are once-in-a-while sales. There is sometimes a further reason for them — distress surplus of product. This will be discussed later.

*The Living Price Structure:* Gasoline prices are even more than a fabric, with flexibility and stretch. The gasoline price "structure" is a living, changing thing,

to which thousands of men contribute their thinking. As a result, it is constantly responding to all kinds of changes in such things as business conditions, weather, traffic, and customers' habits and income.

## **II. Logistic and Other Problems**

The daily forwarding of more than 175 million gallons of gasoline from refineries by varied channels to 211,000 service stations, and from there to millions of customers, recalls what lexicographer Dr. Samuel Johnson once said of a woman preaching or of a dog walking on its hind legs: "The wonder is not that it is done well, but that it is done at all." For it is not enough merely to have the supply lines. The gasoline must be dispatched to the right places, at the right time, in the right volume, all the way from the refinery.

For such movement, suppliers must prepare well in advance, clear back to the refinery. In the spring they must start increasing gasoline output for the summer months; but in the late summer they must start cutting back on gasoline to make more heating oils available for the winter.

Suppliers, however, must do more than merely try to have *enough* gasoline for expected demand at the right outlets at the right time. They must also be sure

of being able to meet any unexpected additional demand. In this respect they are like fresh milk suppliers, or power companies, which must always have spare capacity on hand. Conversely, if they guess wrong and overproduce at any given time, they may find themselves with a troublesome excess of products to get rid of.

All this requires careful advance estimates of a host of diverse influences on the gasoline market. These include general business conditions and consumer buying power; population trends; changes in the public's highway travel preferences; changes in consumption of oil products in competition with other lures for the consumer dollar; and above all, the weather. And these must be worked down into the details within areas, countries, and cities.

*Mistakes Are Bound to Occur:* Suppliers will use anything from a small market-forecasting department to a computer to figure this all out. But with competitors in all areas, of all sizes, all marketing methods, and all competitive moods, each supplier faces one more large-scale question mark: "How much of a market can we hold, or gain, in the face of constantly changing competitive conditions?"

Now let us sit in with a sup-

plier's marketing manager, and see an unavoidable mistake about to be made. He and his company have just estimated that during the following March, three months away, they will be able to sell 5 per cent more gasoline in his area than during the *previous* March. He is making the arrangements for movement of the proper amount of gasoline to his terminals and stations.

But when March arrives, it rains and it snows. Motorists stay home by the thousands. When the month is over, they have bought 5 per cent *less* of his company's gasoline than in the previous March. And to complicate his problem — since it was cold, customers bought more heating oil than he had anticipated. Thus, he faced the headache of bringing in additional quantities of that product even though his storage facilities were already overburdened with unneeded gasoline.

Weather is the most unforeseeable force that can bring about market miscalculation. And it is a constant hazard to the refiner as well as to the marketer. The refiner may count on a cold winter and find by February that he has made too much heating oil and not enough gasoline. In the spring he may count on a good driving summer and find by August that he has made too much gasoline.

But other factors can also upset the best-laid plans. An aggressive competitor may take away business. Depressed prices in an adjacent area may drain away gallonage. Or the local crop may fail, or the local mills shut down.

*What to Do with the Surplus?:* Our unlucky supplier now has excess gasoline on his hands. What shall he do about it?

He has three choices — basically those available to all sellers in the gasoline business when they find themselves with extra gasoline.

He can:

1. store the excess gasoline;
2. dispose of it through regular marketing channels; or
3. find a fast outlet.

Now let us consider his choices. For this is essentially a typical situation. It is a dramatization of the general problems involved in gasoline pricing.

*The Costs of Storage:* Let us now suppose that our marketing manager with excess gasoline on hand decides to hold it in storage until he can gradually work it off.

It isn't a very satisfactory choice.

To begin with, gasoline storage is expensive in relation to gasoline's price, which essentially can be kept low only by a timely flow to market. Stoppage in the move-

ment of gasoline immediately begins to cost. For storage costs money.

But far more serious than the storage cost is the back-up effect. New product cannot be delivered to terminals until there is room for it. If storage space is short, refinery output may have to be cut back. The effect can be felt clear back to the oil field. If the refiner is part of a crude-oil-producing company, then the company's crude-oil output may have to be cut. If the refiner gets his crude from outside his own company, he may run the risk of losing some of his regular crude-oil sources.

So the flow of gasoline may be compared to a river. If too much comes down the river, then the excess must be drained off into reservoirs or it will break the levee somewhere.

If, for instance, the refinery has already scheduled full runs for April, and now its outlet in our marketing manager's area is reduced by the carry-over stored from March, it may be decided to run full anyway. But where to sell the extra? It will probably go either into the "spot market," as "distress gasoline," or be sold to another refiner who has a market for the product. The pressure is now off our marketing manager — but not off his company. No doubt

the extra gasoline will show up somewhere in the business, and result in a downward pressure on prices. But it probably won't show up in his area.

Thus, time is forever pressuring the supplier. Not only is gasoline costly to store, but the equipment to produce and move it is expensive to keep idle. In some supply-demand situations he may have to throw original cost estimates to the wind and consider primarily the cost of *not* selling promptly.

*Disposing of Gasoline through Regular Channels:* Now let us suppose our marketer elects to take the second way out of his gasoline surplus — that is, to dispose of it through regular trade channels.

Apart from marketing gimmicks — special promotions, flying flags, prizes, and giveaways — there is only one way to do this, and that is to cut the price.

Unhappily, however, one of the most notable things about gasoline is that demand is relatively constant.

The gasoline market is not like the market for television sets, stereo recordings, fresh strawberries, or trips to Europe, where a 50 per cent price cut can bring in large numbers of new, additional customers — or induce existing customers to increase their buying substantially.

This is not to say that motorists don't read price signs. Some are highly price-conscious, look for cut-rate stations, and will converge on depressed price areas.

But in doing this, they do not increase their total purchases. They merely switch them from one station, or area, to another. They do not appreciably drive any farther, nor burn any more gasoline. Even the most drastic price wars do not increase *total* mileage in the affected areas.

This is called short-term "inelastic demand" — demand that does not stretch and expand with lower prices.

It is quite different with gasoline's long-term demand, over years and decades. If the product weren't so reasonably priced and conveniently available, people wouldn't take so many trips nor even buy so many cars — as the European experience with extremely high-taxed, and so extremely high-priced gasoline has shown.

But it is a fact, unhappily, that a marketer's customers won't immediately increase their driving even when the price of gasoline is cut sharply. So if the marketer cuts his price, the only added sales he can make are sales to his competitors' customers.

And his competitors know this as well as he.

They can match his price — and more than likely will do so if they suspect that his lowered tank-wagon price is merely an effort to shrug off an overload of gasoline at their expense. In fact, some of them may have made the same miscalculation of demand and have the same surplus problem.

So by trying the price route out of his current inventory trouble, our marketer may, in effect, do a Samson and pull down the whole area price structure around his own ears.

*Finding a Fast Outlet:* For our manager and his company, there is a third and final choice of how to dispose of the excess gasoline caused by weather. It is to find an outside, nonregular market and there to sell the gasoline for whatever it will bring.

The most notable of such outlets is sale on the open market — to brokers, “independent marketers,” or other large buyers. Often such sales are in hundreds of thousands of gallons and sometimes they are made on sealed bids.

To turn to such a third selling choice, our supplier must take a deep breath and remind himself of the disadvantages of the two other courses.

As was mentioned earlier, such sales are often at low prices. But they are somewhat offset by com-

paratively low costs (due to quantity, credit, and other economies).

Sales under distress conditions are usually at prices lower than normal bulk sale prices. The basic reasons for such often-profitless sales have been implied above. The supplier presumably has more gasoline on his hands than he wants to try pushing into regular channels, or storing. He has been “caught long.” And as a result he is, in his own interest and after careful calculation, acting to avoid what might possibly be a very great loss under one of the other two alternatives.

### **III. Loss Today; Profit (?) Tomorrow**

In some circumstances, for good and sufficient though temporary reasons, a refiner may be willing to produce and sell gasoline at prices well below the most optimistic estimate of last-barrel cost.

The start of this dismal story may be when he finds he must lower his price to a certain level in order to hold his own against competition, and his accountants tell him that, at that price, “no matter *how* we figure it,” there will be a loss on every barrel of output.

His natural first thought would be to curtail production or even to shut down.

But neither will save him much money. His fixed costs will keep on.

So it may be more economical to keep running and lose only a *little* money every day, rather than to slow down or shut down and lose *even more* money every day.

Besides, our refiner wouldn't want to add to his other troubles the substantial costs of refinery shut-down and start-up, nor the disruptions of laying off labor, dropping crude-oil "connections" (sources of crude oil), and cutting off regular jobbers and dealers.

So he keeps refining, selling for whatever he can get, and hoping that the market may soon recover.

A marketer can find himself in a situation analogous to that of our refiner. He can find himself in a depressed market that he feels is only temporarily so. Assuming things will get better and knowing that he may lose his established marketing position if he closes up, he keeps operating in the area even though it may mean months without profit.

There is at least one other circumstance in which a gasoline refiner or marketer may for a time sell at a profitless price or even, where it is legal, at a price below the lowest possible estimate of his particular costs.

The circumstance might occur when he tries to break into a new market that to him looks lucrative for the future. As a new entrant in the market his costs are

probably high for he lacks the local facilities necessary for efficient operation; yet he sets his price low to attract customers. He may figure that he will have to forego profits for a time, in the hope of getting established and making money later. Some economists would regard such losses as an investment.

*"Predatory" Pricing:* One form of taking business losses for future profit is only a historical memory: selling below cost in a particular area in the specific hope of ruining a weak or small competitor and then taking over his business and his customers. This, called a "predatory practice," was fairly common in the old days when the oil business was young and uncrowded. It is illegal now, but even if it were not, there would be very little chance in the gasoline business of so calling one's competitive shots today. In any market there are too many eager competitors, major and minor, branded and unbranded — all ready to fight to preserve their own positions, and ready, too, to move into any market vacuum created by the demise of one in their ranks. Today, anybody in the gasoline business foolhardy enough to wage a predatory campaign would find its successful completion no simple matter.

In this age of gasoline marketing, a firm's moving into a new area does not forebode less competition. It means more of it.

*The Profit Is the Pay-off:* Whether sellers taking a loss on a sale do so to avoid a greater loss, or to gain a future profit, it is a sometimes forgotten truism that profit is inevitably the ultimate motive.

While in the short run price must both meet competition and move the goods, in the long run it must more than cover costs. It is a certainty that no one can afford to handle gasoline in any branch of the business at a loss, knowingly *and continuously*.

In sound, profit-seeking business practice, every type of sale and every offering price must justify itself either by contributing to a profit, immediate or eventual, or by minimizing a loss.

#### **IV. Some Premises of Gasoline Pricing**

The value of a bulky commodity like gasoline varies "all over the place." Gasoline of the same specifications may be worth so much today, more tomorrow, and less the next day; so much here, and more there, or vice versa. Gasoline is not like diamonds or gold, the value of which varies little from San Francisco to London or from this year to next year. Its value

is more like the value of such bulky staples as firewood, which may cost \$20 a cord in New England near the woods, and 50 cents a stick in New York City. Perhaps the best analogy is with water — worth less than nothing in flood, but worth a great deal in the desert.

*The Flexibility of Gasoline Prices:* Due to the almost infinite variety of circumstances in which gasoline finds itself from market to market and from time to time, it is hard to figure any fixed formulas for pricing it.

Yet there is always the imperative profit-seeking command that prices must be arrived at that will move the goods most economically to wherever they are most wanted at the moment.

Gasoline prices are never in equilibrium with all the supply-and-demand forces that affect them. They are chronically in need of adjustment. Pricing decisions must be made without delay. These decisions may be wrong half the time. (If they are wrong too often the maker leaves the scene.) But they have to be made by those closest to the circumstances. To learn *everything* about the hows and whys of gasoline pricing at any particular moment, you would have to talk with about everybody in the business.

*The Art of Guessing Right Prices:* The quoting or bidding of gasoline prices cannot be a science. It has to be a day-to-day art — a matter of trial-and-error dependent basically on judgment. The factors that go into the pricing of gasoline will always be hard to figure. Prices are always experimental.

On the supply side, the seller must figure on costs that are arguable to start with and that may vary inversely with a volume that is unpredictable. And on the demand side, he faces changing weather, business conditions, and

competition. Overall estimates of national consumption can tell him lamentably little about the next few months in City X, County Y, or State Z.

The gasoline marketer has no slide rule to tell him how far, in a good market, he can afford to expand; nor how far, in a poor market, he can figure to keep selling at a loss to avoid a greater loss.

This is what has given the business, through its price system, its remarkable flexibility, pliability, challenge, and life. ♦

#### IDEAS ON LIBERTY

#### *Borrower*

SPEAKING of his early experiences as a borrower, John D. Rockefeller once said: "In the early days there was often much discussion as to what should be paid for the use of money. Many people protested that the rate of 10 per cent was outrageous, and none but a wicked man would exact such a charge. I was accustomed to argue that money was worth what it would bring — no one would pay 10 per cent, or 5 per cent, or 3 per cent, unless the borrower believed that at this rate it was profitable to employ it. As I was always the borrower at that time I certainly did not argue for paying more than was necessary."

Wasn't old John D. about right?

The best and quickest cure for high prices is high prices, and by the same token, the best cure for low prices is low prices.

If there is a shortage of anything, the quickest way to get more of it produced is to let the producers take a good profit. This will encourage competition and the price will soon fall, along with the margin of profit.

## Governmental Grievance Procedures

WHEN Bertrand Russell was a younger and more philosophical philosopher than he has since become, he asked a Chinese peasant woman why she was so careful to avoid state officials. The woman's answer was that "government is more terrible than tigers."

We still can't believe that government might become tigerish in America, where the Madisonian tradition of checks and balances lives on. And so, while governmental behemoths take on more and more responsibilities for the young, the sick, the aged, the slum dwellers, the farmers, the unemployed, the inhabitants of depressed areas, et cetera, et cetera, men hopefully rack their brains in the effort to make all the new interferences bearable by adapting the check-and-balance system to new situations. The idea of "review boards" spreads; a Nassau County executive on Long Island in New York State (Eugene Nickerson) appoints an

Ombudsman (the word is Swedish) to investigate citizens' complaints against public officials; and committees of Congress keep up a steady running fire of investigations. And still the criticism swells; government, if not more terrible than tigers, seems to provoke an adversary for every advocate.

To document the situation, Professor Walter Gellhorn of the Columbia Law School has written a small book called *When Americans Complain: Governmental Grievance Procedures* (Harvard, \$3.95). My trouble with reading the book is that I kept bristling all through its 232 pages at the author's assumption that the march of government to a million-and-one social service goals cannot be halted.

"Organized power," says Gellhorn, "makes the wheels of life go round, makes modernity feasible. Restraint and coercion can destroy citizens' freedoms, but can

also enlarge them — as they do when government acts affirmatively to protect physical well-being, to maintain social services that diminish life's pains and pressures, to ensure against the devastations of unemployment, illness, and old age, to provide educational facilities and cultural amenities."

The entirely valid complaint that, when a government tries to become "affirmative" about practically everything, it must end by provoking a universal destruction of values (with the currency being one of the important things to go), is not the sort of grievance that Professor Gellhorn has in mind. He assumes that we must have an ever-increasing tribe of public servants, and that voluntary organizations aren't capable of supplying enough hospitals, or art centers, or medical insurance, to take care of our needs. But it is probably churlish to mention the matter of Professor Gellhorn's basic political philosophy, for it amounts to criticizing him for not having written an entirely different book.

#### ***For the Sake of Argument***

Granting for the sake of argument the assumption that "modernity" is only "feasible" with a vast multiplication of government-directed energy, Professor

Gellhorn makes out a good case for developing "external" critics of public administration. When citizens complain, the complaints all too often wind up on the desks of those who are being complained against. Legislatures try to define the exact scope of administrative agencies, but it is impossible to detail in advance the application of law. Moreover, by following the absolute letter of the law, an obnoxious public servant can sometimes defeat the intention of it. Complaints can get lost in a run-around, and appeals outside the system to the courts can take forever and cost entirely too much.

Since it is impossible to get administrators to give adequate satisfaction in meeting criticisms of malfeasance and misfeasance in their own agencies, the American people have tended to treat their legislative representatives as their defenders against bureaucratic wrong-doing. Professor Gellhorn says that it is a good guess that well over 200,000 complaints about administration reach Congressional offices in the course of a year. Since congressmen are convinced that the way to win elections is to handle grievances themselves, they and their staffs get involved in never-ending casework. Very often the complaining citizen establishes his point. But

tiny victories rarely lead to generic improvement over a broad front. The patterns of administrative policies or behavior do not change. Constituents' cases are disposed of episodically in individual congressmen's offices and, since neither the Congress as a whole nor its standing committees are aware of what has happened, nothing is done to keep it from happening all over again with different principals being involved.

#### **A "Citizen's Protector"**

Professor Gellhorn is enamoured of the Scandinavian concept of the Ombudsman. In Sweden, Norway, Denmark, Finland, and New Zealand, the idea of a "citizen's protector" has taken firm root. It is even being tried in Japan and in the Soviet Union. But no single "citizen's protector" could possibly take 200,000 cases off the hands of 536 congressmen.

Admitting the difficulties which derive from the size and complexity of the United States, Professor Gellhorn sees great merit in the national adaptation of the ombudsman system that has been proposed by Representative Henry S. Reuss of Wisconsin. What Reuss suggests is that an "Administrative Counsel of the Congress" be appointed by the Speaker of the House and the President pro tem-

pore of the Senate to review citizens' complaint cases. The Administrative Counsel would undertake reviews only when members of Congress requested them. And the outcome of each case would be reported to the constituent by the congressman himself. Thus Senators and Representatives would continue to get credit for casework. But the workload on Congressional offices would be reduced, and there would be a better overall focus on defects in statutes or administrative methods that generated the complaints in the first place.

#### **Police Review Board**

In U. S. county and municipal areas the idea of single ombudsmen, or citizens' protectors, might be counted on to succeed. But an ombudsman must be impartial as between complainants and city or county officials. When New York City made a partial gesture towards accepting the ombudsman idea by setting up a civilian police review board, the police felt they were being singled out among public servants for discrimination. Gossip soon had it that they were dragging their heels. The taxi drivers began saying that police in Harlem or in the Bedford-Stuyvesant section of Brooklyn tended to look the other way when help was needed to deal with un-

ruly cab fares. The police, so the taximen insisted, wanted to stay out of trouble lest the citizens' review board might second-guess them.

Professor Gellhorn steps rather gingerly around the subject of the citizens' review board as it is limited to the performance of single bureaus. But it would seem obvious that if New York City had had an Ombudsman to listen to any and all complaints about any office or department from that of the Mayor on down, the police would have accepted surveillance

from him without murmur. And the taxicab drivers might have gone to the Ombudsman instead of cynically talking to themselves.

Professor Gellhorn's prose suffers from the constant staccato interruption of innumerable and frequently turgid footnotes. Of course, the reader is free to skip them, but some of them are essential to the unfolding of the argument. The book would have been a better artistic unit if the necessary material had been incorporated into the text and the rest segregated in an appendix. ♦

#### IDEAS ON LIBERTY

### *The Greatest Evil*

I like bats much better than bureaucrats. I live in the Managerial Age, in a world of "Admin." The greatest evil is not now done in those sordid "dens of crime" that Dickens loved to paint. It is not done even in concentration camps and labour camps. In those we see its final result. But it is conceived and ordered (moved, seconded, carried, and minuted) in clean, carpeted, warmed, and well-lighted offices, by quiet men with white collars and cut fingernails and smooth-shaven cheeks who do not need to raise their voice. Hence, naturally enough, my symbol for Hell is something like the bureaucracy of a police state or the offices of a thoroughly nasty business concern.

C. S. LEWIS, *The Screwtape Letters*

## OTHER BOOKS

- **CAPITALISM: THE UNKNOWN IDEAL** by Ayn Rand with Alan Greenspan, economist; Nathaniel Branden, psychologist; and Robert Hessen, economic historian. (New York; New American Library, 1966, 309 pp., \$6.50)

*Reviewed by Elizabeth Gillett*

IN HER NOVELS as well as in two recent nonfiction books, Miss Rand has slashed through many cherished clichés with radical new ideas. Here, she and her fellow authors focus on the phenomenon that betsets both antagonists and supporters of capitalism, including businessmen: the fact that almost no one understands it. This book devastates the anticapitalists and forcefully expands the arsenal of pro-free-enterprisers by consistent, sophisticated deployment of novel idea weapons — especially the concept of *laissez-faire*.

Many of capitalism's professed defenders have partly or fully swallowed the smear spread by its avowed enemies: that capitalism absolutely requires governmental regulation to assure any measure of justice to all concerned—and the more controls the better.

Miss Rand and company show

what a perversion of basic facts this widely held estimate is. They argue further that *only laissez-faire* capitalism, with state and economics *totally* separated, can naturally assure the greatest possible justice by providing an objective standard in a free market, determined by the voluntary choices of participants from among goods and services produced for profit to meet people's needs and desires. Force and fraud do get punished — when they occur; they are not paranoically anticipated by imposed regulations.

The book covers many crucial economic and governmental institutions, myths, and labels. Among these, in that order, are: antitrust laws, regulatory agencies, foreign aid, patents and copyrights, and the gold standard; the alleged inevitability of monopolies and depressions and the presumed accomplishments of labor unions and public schools; "self-determination," "extremism," "consensus," and "conservatism."

Especially memorable, besides "The Nature of Government" and "The Roots of War," both of which appeared in *THE FREEMAN*, is Miss Rand's "Notes on the History of American Free Enterprise." In it she argues that the villains of transcontinental railroads were power-hungry legislators and their greedy parasites, *not* independent

entrepreneurs. The old leftist bro-broide about how cruelly women and children were exploited under early capitalism is exploded in an essay by Robert Hessen.

The two final essays make an impressive climax. Miss Rand's "The Cashing In: The Student Rebellion" identifies the Berkeley riots, point by point, as a cultural abscess fed by several fallacious trends calculated to distort or discredit free enterprise. Nathaniel Branden's piece on "Alienation" brilliantly traces the psychological premises that must operate in a collectivist's mind.

At the core of the book's theme rest the Objectivist views of man and morality. Among their revolutionary aspects are: reason as an absolute, an objective standard of value, and the rejection of altruism for rational self-interest.

The book also offers a precise index of topics, individuals, and publications, and a "Recommended Bibliography" of many works that contain relevant material.

Readers may or may not agree with all the book's basic premises. Yet anyone who believes he favors capitalism owes himself the experience of becoming acquainted with the unique arguments presented in *Capitalism: The Unknown Ideal*. Whether or not he accepts them all, he will come away better armed than ever before.

► THE CHRISTIAN ALTERNATIVE TO SOCIALISM by Irving E. Howard, (Arlington, Virginia: Better Books, 1966. 153 pp., \$2.50)

*Reviewed by Norman S. Ream*

THERE ARE TWO separate but related arguments supporting a free enterprise, limited government economic system. One is the pragmatic argument; the other the moral argument. Both arrive at the same conclusion. Considering the ends which the majority of men have considered most worthy, capitalism is always in the long run more effective than socialism.

The present volume by the well-qualified assistant editor of *Christian Economics* presents the moral argument from a strictly Christian point of view. "It is not by accident that communism assumes an atheistic view of the universe and a materialistic view of man. It is no accident that the American system grew out of a strong faith in God and a spiritual view of the nature of man."

Christianity insists on certain basic moral principles. Each individual is of supreme worth. Every normal man has and ought to have freedom of the will. Every man has a responsibility to help his less fortunate neighbor. The use of force and violence by one man

against another is immoral. Stealing is wrong.

Irving Howard documents the socialist's denial of each of these moral principles. In reality, the socialist scorns the common man and talks only about "lower classes." He denies that man, using his free will, can make wise decisions, and therefore the socialist planners must make decisions for him. If men will not do voluntarily what the planners think wise, then they must be forced to do so even though this means the plunder of private property in the form of taxes and the coerced redistribution of wealth. Socialism thus becomes the complete antithesis of Christianity.

The author defends the idea of "Christian economics" by insisting that what one believes determines how he acts, and only the fundamental principles of Christianity can give an adequate moral foundation to capitalism, while they invalidate the fundamental principles of socialism. Such factors as land, labor, money, and government are all discussed from this basic point of view.

Running through the whole book is a strong passion for freedom coupled with a strongly orthodox religious philosophy. "Freedom is not primarily a political concern, it is a religious one. Freedom is a quality of life that has its roots

in the worship of God, a worship which produces a man with a high sense of moral responsibility, who does not need external restraints and who will, therefore, make a society in which external restraints are reduced to a minimum and freedom enlarged to a maximum." ♦

► **OUR WESTERN HERITAGE** and **THE SCRIPTURAL STANDARD IN ECONOMICS AND GOVERNMENT.** Both by Edward P. Coleson, Ph.D. (Privately printed and available from the author, Spring Arbor College, Spring Arbor, Michigan, 49283. \$1.25 each, postpaid)

*Reviewed by George Charles Roche III*

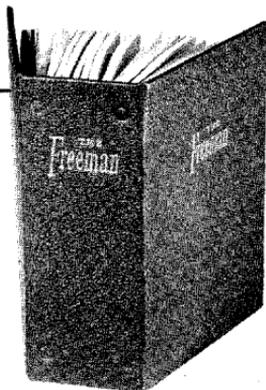
AS A COLLEGE TEACHER of history and philosophy, this reviewer repeatedly found himself confronted with a problem which many teachers of "Western Civilization" courses have faced: most of the introductory texts and readings available for undergraduate survey courses in the heritage of Western Man fail to present a complete and meaningful picture of their subject. The Judeo-Christian roots of our past, founded upon faith in God, belief in an objective standard of right and wrong, and an affirmation of the dignity of the individual, often are submerged in a

sea of "modern" cultural relativism, behaviorism, moral subjectivism, and the rest of the ideology which dominates the textbooks of our superscientific age.

Professor Coleson's books are encouragingly different. Clearly and simply written, well-documented, and containing a helpful list of suggested readings, these paperback volumes offer, within the compass of approximately 200 pages each, a straightforward and sound introduction to many aspects of the religious, historic, and moral heritage of Western Man. Throughout,

the author relates that heritage to the problems we face today and lays a foundation for the reader to do some fundamental thinking of his own in contemporary economic, political, and ethical questions.

Either or both books would make a genuine addition to many courses in introductory "social science" on the college level. They would be especially valuable as supplementary readings for courses already established, but would also make good reading for anyone interested in the restoration of the values of Western Civilization. ♦



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# A Youth Corps for America?

GEORGE CHARLES ROCHE III



WITHIN the past two years there have been several signs pointing toward the resurgence of an idea which the American people traditionally have refused to accept. The warmed-over idea centers on compulsory service for all young Americans. The pressures of the war in Vietnam, the growing protests over the draft, the problem of unemployment, especially among young people, and the tragi-comic results of Great Society experiments in the "War on Poverty" have combined to make compulsory youth service a topic of discussion once again.

President Johnson reopened the subject in a speech at the University of Kentucky in 1965, proposing "to search for new ways [whereby] every young American will have the opportunity — and feel the obligation — to give at

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Dr. Roche is a member of the staff of the Foundation for Economic Education.

least a few years of his or her life to the service of others in this nation and in the world."

As draft protest, unemployment, and the rest of the problems dogging the footsteps of the Great Society continued to mount in intensity, other more specific references to "public service" for young people began to be heard as well. In May, 1966, Secretary of Defense McNamara delivered an address at Montreal in which he admitted that the existing Selective Service System was unfair and largely unworkable: "It seems to me that we could move toward remedying that inequity by asking every young person in the United States to give two years of service to his country — whether in one of the military services, in the Peace Corps, or in some other volunteer developmental work at home or abroad."

Secretary of Labor Wirtz entered the field during November, 1966, with a "policy for youth" along the same lines. The *Washington Post* reported enthusiastically, "It could become a major weapon in the War on Poverty, is designed to remove inequities in the educational system and is an implicit deterrent to juvenile delinquency."<sup>1</sup> Specifically, Secretary

Wirtz outlined a plan in which every eighteen-year-old American boy and girl would be compelled to register in a program which required two years of education, military service, community service, or employment.

### **Universal Military Training**

Meanwhile, others were offering youth proposals of their own. Former President Eisenhower in September, 1966, told the nation that, while Chief of Staff of the Army, he had made every effort to establish a system of Universal Military Training for the United States, and suggested that UMT would not only solve the problems of the draft but would achieve a necessary degree of fitness and discipline among American youth. He stressed the disciplinary features of such a program: "... although I certainly do not contend that UMT would be a cure for juvenile delinquency, I do think it could do much to stem the growing tide of irresponsible behavior and outright crime in the United States. To expose all our young men for a year to discipline in the correct attitude of living, inevitably would straighten out a lot of potential troublemakers."<sup>2</sup>

While the former President felt

<sup>1</sup> Frank C. Porter, "Wirtz Broadens Youth Service Plan," *Washington Post*, Nov. 20, 1966.

<sup>2</sup> Dwight Eisenhower, "This Country Needs Universal Military Training," *Reader's Digest*, Sept., 1966.

that such a program should be made compulsory for virtually all American boys, he made it clear that he would limit this compulsory training to formal military discipline and related matters, since he did not approve of offering an alternative such as the Peace Corps or a conservation corps.

### **A Draft Without Guns**

Though the former Commander in Chief proposed to allow compulsion of all American youth only for purposes of military training, it soon became evident that other social planners had far more in mind for America's young people. Writing in *Saturday Review*, a Peace Corps official outlined the great social changes that might result from such a program:

The young men and women coming out of high school are themselves a major undeveloped resource. They represent America's future. They need to be asked to give some kind of active national service. They need "to get the childishness knocked out of them, and to come back into society with healthier sympathies and soberer ideas," wrote [William] James. . . . They need to cross cultural frontiers, experience the outside world, and become world citizens, says Mary Bunting.<sup>3</sup>

As the public discussion of such compulsory youth programs progressed, it soon became evident that many of those advocating such programs had far more in mind than the mere solution of such problems as the draft and teen-age unemployment. When questioned concerning his proposal, Secretary Wirtz expressed a doubt that present inequities in the draft were any worse "than the unfairness of the way one boy or girl out of every two gets to college and the other one doesn't." Clearly, great social changes of a sweeping nature were being contemplated by the advocates of compulsory youth programs.

### **"Every Area of National Need"**

While former President Eisenhower was willing to limit his proposal for a compulsory youth program to military training and such side-benefits in health or discipline as might accrue to American youth, his program was scarcely an opening wedge for more ambitious social planners: "Former President Eisenhower to the contrary notwithstanding, the Pentagon says it opposes Universal Military Training. What, then, are the nation's needs for non-military service by young volunteers? The President says that volunteers are required in 'every area of national need,' especially

<sup>3</sup> Harris Wofford, "Toward a Draft Without Guns," *Saturday Review*, Oct. 15, 1966.

in teaching, alleviating poverty, and conservation." Thus, Harris Wofford, a Peace Corps administrator, described what he termed an "historic opportunity." He went on to describe enthusiastically the day of compulsory national service which had already dawned in Israel and Ethiopia. "But it remains to be seen whether America — which, through the Peace Corps, has brought the idea of volunteering to world-wide attention — will now respond and turn to the Ethiopian innovation and the example of Israel. . . . Will Lyndon Johnson now tap it on a much larger scale? Will the administration that established 'escalate' as a word of war find ways to escalate volunteering for works of peace to a new level of practically universal participation?"

Urging that constructive peacetime assignments should be demanded of all, Wofford inquired, "Who is too tall to teach? Whose feet are too flat to be a tutor? Why shouldn't almost everyone be 1-A for national service?" Mr. Wofford pointed to the desirability of an expanded Head Start project, new educational programs of the Office of Economic Opportunity, new programs stemming from the White House Conference on Civil Rights, and an expansion of public education to four- and five-year olds. Where would the new teach-

ers come from in this vastly expanded program? "With special training and supervision, hundreds of thousands of volunteers, supported by a Peace Corps-like subsistence allowance, could be the answer. To move toward universal early childhood education, we may need to move toward universal service."

Is education the only need which could be filled by a new program for American youth? If some Americans are too immature to fill a teaching position "...there are, however, needs . . . which younger volunteers could help meet. One of them might even involve washing dishes and clothes. Millions of working mothers, especially in poverty-stricken families, desperately need some system of day-care for their children. Volunteers just out of high school could be trained to provide this on assignments in homes or special day-care centers."

#### ***A Program with Teeth in It***

It seems that once the exercise of political power is viewed as acceptable, the logic of social planning requires the exercise of that power over a larger and larger area of human affairs. As the Secretary of Labor remarked: "This country is probably more disposed right now to move ahead on the 'social welfare' front with stern-

ness than with sympathy. The fact, whether attractive or not, is that concern about juvenile delinquency looms larger today in a good many people's minds than their concern about poverty — even though that may well be the cause of the delinquency. There is a cancer here, and the country is ready for surgery."<sup>4</sup>

Proponents of these youth programs have been referring to the process of "volunteering." Yet, the "voluntary" aspect of the plan always proves difficult to discover in practice. Secretary Wirtz admitted that serious thought was being given to making such a program compulsory: "It would be precisely those who present the most serious problems, both for themselves and for the community, who would fail to take advantage of any or all of the options which were offered them and their continuing derelictions and misdemeanors would make a new system seem not to be working even if it were in fact improving the general situation materially." Yes, America's young people would be "free to choose" among the options, but would be *required* to follow one of the alternatives outlined in the plan.

Once such "opportunities" are provided, it is a short step to insisting upon *everyone's* benefiting

from the plan, *whether he wishes to do so or not*. Wirtz told an audience at Catholic University, "If I read the current national mood, and guess at your own reaction, it is that there has been too little done about people's not using the opportunity they already have." The *Washington Post* thought those words "presaged a possible shift of emphasis in the Johnson administration's whole social philosophy, regarded by some critics as overly solicitous and permissive, toward a hard-boiled insistence that the intended beneficiaries of governmental help make good use of it." The exercise of power seems to breed an appetite for the further exercise of power.

The potential dimensions of such a youth program are staggering. All young people, girls as well as boys, would be registered on their eighteenth birthday, or earlier if they have left school. Physical, mental, and psychological tests would be administered and used to help decide which of the various channels of "national service" *every American youth* would be compelled to enter. No one could be exempt; and in all probability many youngsters would find themselves directed on a course other than they might have chosen. What parent wants to see his child compulsorily enrolled in such a program?

<sup>4</sup> Porter, *op cit.*

### **What Will It Cost?**

One question that must be raised in any discussion of compulsory programs designed to enroll all American youth is the staggering cost of such a plan. Where is the money to come from? In recommending Universal Military Training, former President Eisenhower admitted, "I have no ready-made plan for financing UMT. I wish only to say that a big, powerful country such as ours could surely find a way to pay the bill."

Nor did Mr. Wofford provide direct answers concerning the financing of his nonmilitary compulsory youth program: "How much would such a volunteer service program cost? Not as much in a year as one month of the war in Vietnam. Not as much as doing nothing — as failing to mobilize the talents and labor of the younger generation. Not as much as hiring professional teachers or social workers or construction men — if we could find enough of them — to do what these volunteers could also do."

In other words, however expensive the program, its desirable goals would justify that expense. This is the plea always advanced by the advocates of any new extension of statist authority.

How would such a program be staffed? President Eisenhower's

solution: "We could call in reserve officers for a time if needed, and I am confident that we could find the other necessary people if we had to — just as we did during World War II." *Just as we did during World War II!* A more total involvement of the national government in the private affairs of its citizens could hardly be imagined.

Before America embarks on such a gigantic raid on the treasury — and even more important, such a major intervention into the private lives of its citizens — the nation might ask itself how the present "youth programs," already under political direction, have prospered. For example, what of the Job Corps? One camp in the Midwest had 450 men as enrollees and more than 450 employees. Seventy employees worked directly with the Job Corpsmen, meaning that over 380 governmental employees were devoting their time to the "administration" of the work actually performed by the other 70.<sup>5</sup> This same camp treated the American taxpayer who was footing the bills for the entire affair to the spectacle of seven young Job Corpsmen committing sodomy against a fellow enrollee. Apparently, this is a simple mis-

<sup>5</sup> Don E. Cope, "It's What's Happening, Baby," *National Review*, Oct. 19, 1965.

demeanor in the Job Corps, since five of the boys were allowed to return to their homes and the others to re-enter the program at the Job Corps camp. The statement of one of the hired counselors at the camp makes clear that thievery was common and discipline virtually nonexistent. Many of the young men ran away from the camp rather than participate further in what one of them described as a "man-made hell."

Meanwhile, the Neighborhood Youth Corps in the nation's capital reported that 75 per cent of the teen-age girls who had been members of the program became pregnant while enrolled. Officials of the program swung into action almost immediately after this item became public knowledge. One of the administrators announced that girls in the future would be urged to visit District Health Department Family Planning Clinics. He speculated, "Maybe we can't cut the physiological action, but we can cut the pregnancies."<sup>6</sup>

How much money does it take to produce such results? In the Job Corps, more than \$7,300 has been spent to date for each man enrolled in the program! As many parents well know, that would go a long way toward putting a young man or woman through college.

### **Seeming Lack of Concern**

How does it happen that such proposals can be publicized in our society, proposals with such disastrous results in the pilot projects, proposals of such fantastic cost, proposals with such totalitarian implications for our young people, and yet cause little if any public outcry?

The answer is a painful one for believers in limited government. An erosion of faith in constitutional limitations and personal freedom has so long continued that all proposed governmental actions are considered, not in terms of principle, but in terms of the solution of some "problem" or another. There are protests against the inequities of the draft? Then make the draft equitable by imposing service on *all* boys! There are "social problems" to be solved? Then extend the system to impress all of our young girls into service as well! Some parents and private organizations are "mis-directing" the accomplishments and training of our youth? Then remove that responsibility from parents and private organizations! Such is the prevailing thinking of our age.

The universal conscription of our young people for "social" goals may be so raw and blunt a foray into the private sector that it will not reach fruition at this time. But the trial balloons are up and

<sup>6</sup> *America's Future*, Dec. 12, 1966.

such "social planning" surely lies ahead unless the direction of our thinking, not as a group, but as individual citizens and parents, is reversed.

### Try Freedom

The disastrous record of coercion when it has been tried is well known. The productive and ennobling capacities of a society pervaded by freedom are equally well known. But there are none so blind as those who will not see. We must first train ourselves to think the problem through and apply the evidence already before us if any lasting changes are to be produced. The point is simple: Freedom works, if we will but allow it. Is teen-age unemployment a problem? Then remove the coercion of the minimum wage law and afford businessmen a chance to profit by hiring and training younger people. Protest against

the draft is a problem? Then stimulate enlistment by hiking military pay and benefits enough to be competitive with the private sector.

Yet, such solutions seem beyond the planner's comprehension. When coercive legislation creates problems within a society, as eventually it must, the coercionist answer is always the same: apply more coercion. This is exactly what is proposed in the compulsory "social service" impressment of America's young people.

After urging a universal service program for youth, Secretary of Defense McNamara concluded his Montreal address with words far more appropriate to the freedom alternative than to the position he was advocating: "I, for one, would not count a global free society out. Coercion, after all, merely captures man. Freedom captivates him." ♦

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# Liberty and Law

KEITH WOOD



MANY thoughtful people have become alarmed about the rapidly growing power of government. Those who have advocated government interventions have thought they had all the answers. Now their socialist chickens are coming home to roost. Every such scheme of government intervention has been tried and tried again — and almost without exception the failure has been a dismal one.

It has often been noted that a problem is close to solution once it has been clearly and adequately defined. As I have observed the problem from the vantage point of a free enterpriser, it seems to me that it can be expressed this way. People want to do things to uplift themselves or others. This altogether commendable desire has been widely encouraged by the teachings of our religious leaders. But as soon as we decide to do things for ourselves or others, we

bump into a limitation of resources. Although some people have more resources than others, everyone has his limitations. Thoughtless or careless dissipation will soon exhaust the material means of anyone.

Now, finding ourselves in this situation, there are two things we can do: Each of us can do what he is able to do within his own limitations or he can seek to augment his resources by those of others. There is nothing necessarily wrong with the combining of resources to do a job. A great deal can be accomplished in this way; examples are all around us. The physical facilities of a church organization are a good example. However, when we decide to mobilize the resources of others to assist in carrying out our plans, there is one other choice we have to make. This is whether or not to rely on the voluntary help of other people.

The rawest forms of coercion are rejected by almost everyone. There are very few who think they should take a gun and hold up the

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Mr. Wood is President of Wood Brothers Manufacturing Company of Oregon, Illinois. This article, condensed from a recent speech, expresses his concern over the growing tendency of organizations and groups to turn from voluntary to coercive methods.

local bank in order to get the resources they think they need. But there is a way to do the same thing that has long been sanctioned by our society. This way is to levy a tax and hire a policeman to enforce its collection.

This, in my opinion, constitutes a perversion of the police power. Policemen and courts should protect us in our lives and the enjoyment of our private properties. Our private property is the fruit of our labor and it should be ours to enjoy as we see fit so long as we injure no other peaceful person. The policemen and courts should not be used to take from some to give to others or to take from all of us for the benefit of a privileged few.

This may seem like a radical doctrine, and it is today! However, it was well understood by the authors of our Constitution and the principle was quite well observed for the first century and a half of our country's existence.

There are no doubt many reasons for our failure to successfully support and defend the limited government our forefathers so wisely created. It seems to me that one of the main reasons for our failure has been the popular glorification of the idea of majority vote.

It is true that there are many things which must be decided by majority vote. There appears to be no other satisfactory way. But just

because majority vote is a good way to decide some things doesn't mean that it is a satisfactory way to decide all things. A typewriter may be excellent for writing letters, but that doesn't make it a good adding machine! The limitation that should be put on majority vote is a moral principle. We should refrain from doing anything by majority vote that we would not have a moral right to do as individual people.

When this idea is taught, all kinds of practical objections occur to everyone. This is simply because violations of the principle are so widespread that we find it hard to imagine any other way of doing things. A good example is a public swimming pool as has been financed by taxes in many communities. Now a swimming pool is a wonderful thing. Our family has one. It has been a source of enjoyment to the neighbor's children as well as our own. It is fine for a community to have an adequate swimming pool. Still, it must be admitted that many children have successfully reached adulthood and many adults have successfully lived out their lives without ever going near a swimming pool. If exercise is desired, it can be had in other ways. If recreation is needed, the children can play baseball or football. There is nothing essential, then, about a swimming pool.

However, in spite of its being nonessential, given the present frame of mind of the American people, there is little problem about getting a majority vote and levying the subsequent taxes to finance a swimming pool. By so doing, we require the elderly person who lives on a pension to pay part of the cost of the swimming pool. The widow who may hardly be able to support herself finds the taxes on her home increased.

This is usually accomplished by a simple majority vote of those voting — a very small minority of those who will pay the price. This is a process which seems to me to be immoral and unjust.

Are there alternative ways by which these things can be done? Of course, there are! Many communities raise funds by popular subscription for swimming pools. This method has been very successful and the promoters are not then burdened by any question as to the morality of their actions. Many country clubs provide swimming pools. In some communities, small groups of people get together to finance a pool for their mutual enjoyment.

It is difficult to convince people that this principle should be adhered to so rigidly. However, it is likewise hard to convince people that they should always be honest! Or that they should never steal!

The laws of God are violated every day and many times. A principle, however, is not invalidated by our failure to observe it. The sound principles of a moral order are independent of our observing them. It is similar to the law of gravity — if we jump off a cliff, we'll land just as hard whether or not we believe in the law of gravity!

It is easy, of course, to be discouraged when actual society is compared to any ideal. How can we do things differently when particular ways have become woven into the pattern of our lives? This is not an easy question to answer except in one respect: each one, as an individual, can easily quit advocating the extension of government into any areas where government action is questionable.

We should have a well-financed police department for the suppression of crime. Our courts should be provided with adequate facilities for judging the cases which come before them. All citizens should cooperate with government in its legitimate function of preventing injustice. This work has nothing to do with swimming pools, parking lots, airports, renewal of blighted business areas, or the thousand and one other government interventions that disrupt our lives, destroy our security, and limit our opportunities.

Frederic Bastiat, a French economist, statesman, and author who died in 1850, wrote a remarkable book called *The Law*. As a deputy to the legislative assembly, Mr. Bastiat opposed the socialism to which France was rapidly turning at the time. In the course of his opposition, he explained each socialist fallacy as it appeared:

This question of legal plunder must be settled once and for all, and there are only three ways to settle it:

- 1) The few plunder the many.
- 2) Everybody plunders everybody.
- 3) Nobody plunders anybody.

It is impossible to introduce into society a greater change and a greater evil than this: A conversion of the law into an instrument of plunder. What are the consequences of such a perversion? It would require volumes to describe them all. Thus we must content ourselves with pointing out the most striking.

In the first place, it erases from everyone's conscience the distinction between justice and injustice.

No society can exist unless the laws are respected to a certain degree. The safest way to make laws respected is to make them respectable. When law and morality contradict each other, the citizen has the cruel alternative of either losing his moral sense or losing his respect for the law.

These two evils are of equal consequence, and it would be difficult for a person to choose between them.

The nature of law is to maintain

justice. This is so much the case that, in the minds of the people, law and justice are one and the same thing. There is in all of us a strong disposition to believe that anything lawful is also legitimate. This belief is so widespread that many persons have erroneously held that things are "just" because law makes them so. Thus, in order to make plunder appear just and sacred to many consciences, it is only necessary for the law to decree and sanction it. . . .

Law is justice. And it is under the law of justice — under the reign of right; under the influence of liberty, safety, stability, and responsibility — that every person will attain his real worth and the true dignity of his being. It is only under this law of justice that mankind will achieve — slowly no doubt, but certainly — God's design for the orderly and peaceful progress of humanity.

It seems to me that this is theoretically right, for whatever the question under discussion — whether religious, philosophical, political, or economic; whether it concerns prosperity, morality, equality, right, justice, progress, responsibility, cooperation, property, labor, trade, capital, wages, taxes, population, finance, or government — at whatever point on the scientific horizon I begin my researches, I invariably reach this one conclusion: The solution to the problems of human relationships is to be found in liberty. ◆

Frederic Bastiat's *The Law*, translated by Dean Russell, is available from the Foundation for Economic Education, Irvington-on-Hudson, New York, 10533. \$1.00 paper; \$1.75 cloth; quantity rates on request.

# The Moral Equivalent of Power



JOHN A. HOWARD

SOME twenty-five years ago a man died and bequeathed a small fortune to be spent in helping the people of other nations to understand the American way of life. The agents chosen to administer the funds were bright, conscientious folk and they went to work to carry out the intentions of the deceased. The task sounds simple enough when it goes by the first time, but it is an elusive object when one tries to apprehend it. After all, what is the American way of life, and how can it be explained?

After many months of seeking advice from experts and weighing carefully one project after another, the executors concluded that the more elaborate or grandiose the plan, the less likely it was to fulfill the purpose. Ultimately, they de-

ecided to make some movies about the everyday life of inconspicuous citizens, with the commentary available in many different languages.

The film followed a paper boy on his early morning route, and a milkman on his, as they left their deliveries on front porches and at apartment doors. A small town banker was shown at his desk discussing loans with farmers, and later, in his overalls, painting his front fence. There was a committee meeting of a service agency and some firemen playing baseball with the neighborhood kids.

Such scenes scarcely seem destined to make the blood boil with undying enthusiasm for the American way of life, but there are some messages here which you and I cannot read. We are blind to what we take for granted. We attach no special significance to

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Dr. Howard is President of Rockford College, Rockford, Illinois. This is a condensation of his Convocation Address of September 21, 1966.

whatever is commonplace in our own lives. However, in many nations, nobody would dream of leaving anything outside a front door, especially anything as desirable and as swipeable as fresh milk or today's paper. The readiness with which an American dirt farmer can obtain a loan for seeds, fertilizer, and machinery is a surprise to many peoples, but not half as astonishing as the vision of a banker doing manual labor. A view of public servants engaged in a children's ball game is likewise a jaw-dropper in those nations where a status position requires a rigid formality of behavior. But the real shocker in many foreign cultures today, as it was to the Frenchman, Alexis de Tocqueville, one hundred and thirty years ago, is the voluntary banding together of common citizens in a service agency to help their neighbors.

The films portrayed simple actions in the lives of trusting, helpful, friendly, unpretentious people. It was a benevolent society in the precise meaning of that word — benevolent, well-wishing.

Today many of us might see these films as the creation of a naive Pollyanna, or at least as the presentation of a distortedly favorable and falsely healthy American community. The festering sores of poverty, prudery, hypoc-

risy, human exploitation, and unfulfilled civil rights have been unbandaged and revealed in all their raw ugliness, and the public has come to look upon the general American as something less than healthy, if not outright sick. Actually, the executors of the bequests were not all that insensitive or indifferent to our social problems, but their charge was to convey what was *unique* about life in this country, and in that, I believe their work is still remarkably valid.

However, the qualities of American life which they highlighted are, it seems, waning. And it is to this point that I think we must attend today. Trustfulness, friendliness, helpfulness, and unpretentiousness seem to be yielding to suspicion, arrogance, aggression, and defiance. Power is becoming the dominant motive of our domestic relationships as well as our international ones — power sought and power wielded and power feared. We observe on all sides people trying to force others to behave differently. Alternate techniques of human interaction are being cast aside in favor of muscle and might.

### **Union Abuses of Power**

In recent months we have seen union phalanxes running roughshod over the opposition, exerting

brute power with apparent indifference to the consequences for the general public or even for the welfare of their own membership. A self-defeating newspaper strike in New York City eventually wrested some concessions, principally for severance pay, from those employer newspapers which survived the strike. In the same city, the public transport workers forced a new wage scale which the city officials confess they cannot pay without subsidy from other levels of government. The grounding of a number of major airlines extracted precedent-setting pay increases. Wholly apart from the millions of people whose livelihood was directly, and in many cases, very seriously curtailed by these work stoppages, the effects upon the nation were damaging beyond any possible justification.

The right to strike has been wholly accepted as a technique of the conduct of life in America. And yet this right has fostered the concentration of power to such an extent that a relatively small segment of the population can disrupt the entire economy.

The Federal government has likewise come into greater and greater power which it applies with increasing frequency. It has, in recent months, publicly threatened the banks and the Chicago schools and the producers of tobacco and

aluminum and steel with the heavy guns of its economic arsenal to the point that the officers of an increasing range of enterprises candidly admit they can no longer express public opposition to the policies of the Washington Administration. When power is concentrated, freedom is threatened. When power is used, freedom is curtailed. A diminishing atmosphere of freedom would normally arouse the intellectual community to the defense of the victims, but, so far, the government has used its coercive weapons in behalf of objectives dictated by the intellectual community and the freedoms that have been abridged were those of "the enemy." The traditional defenders of freedom have either cheered or sat silent.

#### ***One Violation Becomes the Justification for a Chain of Others***

This attitude on their part is, I am convinced, woefully shortsighted, for aggression begets aggression and feeds on itself. Successful strong-arm techniques used on one battlefield are quickly adapted by the storm troopers on another. The intellectuals who have been so willing to have the government overpower those who think otherwise are finding their own academic centers victimized by powerful assailants. If there is

any truth to Professor Feuer's article entitled "The Decline of Freedom at Berkeley" in the current issue of *The Atlantic Monthly*, last year's student assault has already brought substantial devastation to one of the world's most renowned academic centers.

Force cannot be a legitimate weapon in my hands and an improper one in yours, if we are equals. Once force becomes the main instrument of public policy, all aspirants to anything are automatically licensed to intimidate and brutalize, if they can. One is reminded of an illustration used recently by Barbara Ward. "I would even go further and say in New Guinea, it is attractive to live in a village because every time you leave that village, you change your language and that gives you a perfect right to head-hunt in the next village. Well, obviously this is a very attractive way of running human affairs and this is what some people want to restore in Europe. What after all was 1914 and 1939 but the idea that your tribe can head-hunt in the next village?" We haven't yet returned to actual head-hunting, but we are aimed in that direction.

### **Civil Rights Plus Power**

The civil rights movement has caught the disease, and has made

the predictable progression from an original basis of limited, applied pressure to a spectrum of coercive action that includes outright terrorist tactics, leaving many of its most genuine and active participants confused and dismayed at the beast they have helped to nourish.

Perhaps you saw the article in *Look Magazine* reporting an interview with Lillian Smith, the author of *Strange Fruit*, who was one of the best-known backers of the Student Non-Violent Coordinating Committee. Miss Smith, gravely weakened by cancer, talked about her resignation from SNCC when it embraced the Black Power concept. She recalled an early warning she had made to the officers of that organization. "You're going to have the same temptation that Jesus and Gandhi had — the temptation of personal political power. You will want to get power in your own hands . . . You will want to stir people's hatreds."

As in the case of anybody that starts down the path of power tactics, the civil rights leaders have had to run faster and faster to keep ahead of their troops, procuring more devastating arms and making more sweeping demands to satisfy the power appetite they have generated. Napoleon and Hitler and Stalin, indeed, all tyrants,

have been destroyed by the same self-accelerating pace of aggression.

### ***In the Name of the Church***

The national acceptance of force as the main technique for change is nowhere so startlingly manifest as in a statement printed in the July 31st issue of the *New York Times* signed by forty-eight members of the National Committee of Negro Churchmen. Their purpose is to help people comprehend the reasons behind the thrust for Black Power and to justify Black Power within a certain framework of understanding. The entire text is based on an assumption that "powerlessness breeds a race of beggars," and that it is only as power is placed in the hands of Negroes that they can achieve the actual role of complete citizens and the full dignity of human beings.

There is some reason to believe that instead of powerlessness breeding a race of beggars, power breeds a race of tyrants, but my point here is that these are Christian clergymen who declare that power in its coercive, leverage, intimidating sense, is essential to the full life of a citizen. It is my recollection that Christ at no time recommended or endorsed the use of force to accomplish any of his aspirations for mankind. His doctrine was a self-policing one. He

did not urge that prostitution be prevented by law and stamped out by a constabulary. He directed the individual offender to go and sin no more. That half a hundred of Christ's prominent ministers would proclaim a human right to power in his name is, I should think, dramatic evidence of the degree to which coercive power is coming to dominate the hopes as well as the actions of all segments of our population.

### ***The Process of Corruption***

Now, there are some fundamental problems that may arise when force becomes the instrument of social interaction. I shall indicate only two. One is that however lofty the original motives of any power-wielding group, human nature is such that that power eventually seems to fall into the hands either of self-serving or self-righteous officers. On the one hand, the original slogans become hypocritical justifications for plundering the community and for gathering more power. On the other, the officers seek additional power in order to force their "enlightened" views on more and more people.

Perhaps you heard of the company president who called in an employee who had refused to sign up for the pension plan. "You sign or be fired," he declared. "I'll sign," was the quick response. "Well, why

in blazes didn't you sign before?" demanded the boss. "Nobody explained it to me like this before."

Any person can readily compile his own list of corporate profiteers, or labor leaders, or government officials, or college executives, whose commendable motives, which brought them to positions of leadership, have yielded to the empire-building impulse and whose concern for their constituency has given way to the grinding and inhumane techniques of tyranny.

The degree to which the press for power leads to corruption of word and deed is dramatically illustrated in the Berkeley uprisings, and has been incisively analyzed by Ayn Rand in an essay entitled "The Cashing In." She observes:

To facilitate the acceptance of force, the Berkeley rebels attempted to establish a special distinction between *force* and *violence*: force they claimed explicitly, is a proper form of social action, but violence is not. Their definition of the terms were as follows: coercion by means of a *literal* physical contact is "violence" and is reprehensible; any other way of violating rights is merely "force" and is a legitimate peaceful method of dealing with opponents.

For instance, if the rebels oc-

cupy the administration building, that is "force"; if the policemen drag them out, that is "violence." If Savio seizes a microphone he has no right to use, that is "force"; if a policeman drags him away from it, that is "violence."

Consider the implications of that distinction as a rule of social conduct: if you come home one evening, find a stranger occupying your house and throw him out bodily, he has merely committed a peaceful act of "force," but *you* are guilty of "violence" and *you* are to be punished.

The theoretical purpose of that grotesque absurdity is to establish a moral inversion: to make the initiation of force moral, and *resistance* to force immoral—and thus to obliterate *the right of self-defense*. The immediate practical purpose is to foster the activities of the lowest political breed: the provocateurs, who commit acts of force and place the blame on their victims.

#### **Force and Counterforce**

The first problem inherent in the use of coercive power as a social instrument — the abuse of power by its agents — is a problem of human tendencies, albeit regularly recurrent tendencies. The second difficulty is an absolute and is always

available to those who would use it in the situations where power is used to produce change. If any action is taken because of applied force, then the logical means for bringing about a counteraction is to amass an even greater counterforce. We watch with well-justified squeamishness as the thrust for Black Power provokes the counterthrust to quash Black Power. Aggression begets aggression and feeds on itself. Unless there is a massive and convincing repudiation of the strong-arm tactics in the field of civil rights, and in the arena of student demands, we can expect to see civil disorder spreading to every other point where issues are joined. When the accepted vehicle for social change is coercion, the destination is ultimately either absolute despotism or primitive, savage anarchy. In either case strength prevails, reason is superfluous and compassion an impediment. The rallying cry of the Berkeley Free Speech Movement, "Strike now, analyze later," is a monument to power gone berserk.

Let us remember that in the history of man, the usual condition of his life has been one of oppression. Tyranny has reigned over most peoples most of the time. We in this country have been blessed with a period of liberty and security and domestic tranquillity. It may be that our luck has run out — that it

was only luck — that reason and good will are recessive human qualities and aggression the dominant one. It appears as if our society is not only tolerating force as the means of social change but encouraging and even demanding it.

#### **Let Government Do It**

What can be done about a tendency of society to rely on force to accomplish its ends? Man has long sought a moral equivalent of war. Our problem here is to move that target a little closer with, perhaps, a better chance of hitting it. What we need now is a moral equivalent of *power*.

In the first place, most civilized men have a natural reluctance, individually, to jam something down somebody else's throat. The use of force seems to grow in acceptability as it becomes the instrument of a committee or a group, or better yet, an even more impersonal agency, the law. It would be a strange paradox, but I suspect one could make a good case for the proposition that the law has become a substitute for morality. In any event, to avoid the circumstances which invite the use of more force, the efforts to produce social change must be undertaken by individuals or by the smallest possible group of human beings. Change undertaken by large groups or by government decree seems to neu-

tralize moral impulses, to paralyze compassion and to evoke resentment and resistance. If it is possible to create within a society a moral equivalent of power, it must emerge from a decentralization, really an individualization of action. It will require what might be termed voluntary amelioration.

There is still much of the trusting, the helpful, the friendly, and the unpretentious in the American people, but it is being upstaged by the rioters and the power-seekers and the promisers and the mischief-makers who feed on unrest, and by the hysteria they create. Many well-intentioned people have been swept along by seductive slogans and have, perhaps thoughtlessly, lent themselves to new coercion and new aggression. We seem to be moving further and further toward a public reliance on force. History tells us unmistakably that that is folly.

### **The Challenge**

What is needed is a new breed of young leadership which will find answers that do not create new tyrannies in eliminating old, which will apply the immensely satisfying human qualities of invention and compassion and stamina in attending to needed change and which will have the raw courage to damn the demagogues and the intelligence to discredit them.

Schweitzer said, "The tragedy of life is what dies inside a man while he lives." The same can be said of a civilization. Much of what has been best in our society seems to be dying in the process of trying to cure what has been worst. If we heal the sores and lose the soul, the zombie we will have left won't be worthy of survival. The irony is that those qualities of American living which have been our greatest glories can, I am certain, be directed to the successful elimination of the qualities of American living which have been our greatest trials. The moral equivalent of coercive power is already ours, at work in all those voluntary, trustful, benevolent acts and operations which have characterized the best in the American way of life. The task is to multiply the number of responsible centers of local initiative so that the needed changes can be effected with benevolent rather than brutal means and with increased understanding and cooperation rather than fear, resentment, and retaliation as the end result.

The Secretary of Health, Education, and Welfare, John Gardner, has noted that we are faced with a number of great opportunities brilliantly disguised as insoluble problems. The discovery of creative alternatives for coercion is certainly one of them. ◆

# LIBERTY'S DECLINE IN BRITAIN



GRANVILLE WILSON

No ONE who loves liberty can afford to disregard what is happening in Britain today as basic freedoms succumb to socialism and an insatiable bureaucracy.

The British people have learned the basic lesson of socialism since the socialist government was elected in October, 1964. It is simply that socialism means controls, and controls grow by what they feed on.

However much they may try to disguise the fact when they are seeking votes at an election, socialists believe in controls. To them, a life without controls is a vacuum, an intolerable limbo to be filled by handsomely remunerated bureaucratic know-it-alls.

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Mr. Wilson of England for many years has written on economic and political affairs for British and overseas newspapers and magazines.

At the center of the socialists' creed is their conviction that not only market forces but human nature itself can be altered by what the government calls its "prices and incomes policy."

It is widely believed, in both Britain and the United States, that the prices and incomes policy became necessary solely because of Britain's financial crisis, which occurred immediately the socialists took office in 1964. This is a mistake. The financial crisis helped to prepare the ground for the attempt to control prices and incomes, but the policy was worked out as long ago as 1958.

At that time, when the socialists were in opposition, they drafted a document called "A Plan for Progress." Of course, the plan

did not call for a financial crisis; but everything else that has happened since 1964 dates back to that ambitious blueprint for the new socialist order.

The document pointed out that from 1955 to 1958 Britain's output growth virtually came to a stop, and that higher wages led to higher labor costs. The assumption which the socialists drew from this was that labor costs and prices rose not because of the demand for higher wages but because output growth was so small. In other words, restriction in production had increased prices. The same result, the document said, could be created by excessive spending power.

The broad conclusion which the socialists drew from these premises was that the growth of money incomes must be kept broadly in step with higher productivity.

The best laid plans began to go awry, however, as soon as the socialists came to power. To counteract the flight from the pound sterling the government borrowed \$3 billion from the American Federal Reserve Bank and nine other central banks. The loan has to be repaid by 1970.

After more than two years of socialism the British people stubbornly refuse to increase productivity. It had been assumed that

they would respond magnificently to the election of a "workers' government" by working harder, but they did not do so. Anyone but a doctrinaire socialist would have understood why: they were disillusioned by the fact that socialism meant bigger taxes and less take-home pay. This refusal to make socialism work as the planners had hoped led to the bitter comment by Britain's socialist prime minister, Harold Wilson, that many British workmen are afflicted by "sheer damn laziness."

#### **Revolt Against Planners**

The refusal of the British people to work harder for less, and the need to reassure Britain's creditors in the United States and Europe, were reasons why Britain's socialist planners decided to give the nation a massive dose of deflation and even more onerous controls.

Social historians will probably look back on the socialists' annual conference in October, 1966, as the five days which changed the British way of life forever. In those five days the planners killed off so many sacred political cows that the socialist movement resembled a Chicago stockyard depicted by the youthful Upton Sinclair.

To a background of angry shouts from workless men of

"Traitor!" and "You are a disgrace to the party!" the planners remorselessly did to death in Britain:

- full employment,
- collective wage bargaining between trade unions and employers,
- the right of an employer voluntarily to increase the pay of any worker or group of workers.

The basic freedom of a worker to negotiate his pay with his employer has gone. Under the Prices and Incomes Act, trade unionists can be fined up to \$1,500 or even sent to prison for striking.

Many trade union leaders are convinced that collective wage bargaining has been abolished in Britain for all time. It is widely assumed that in July, 1967, a National Wages Board will be set up to decide who, if anyone, qualifies for a pay rise, and the only function of the trade unions will be to cooperate in recommending a scale of priorities.

If that happens, the British trade union movement under socialism will have been reduced to a status not much more important than that of the trade union movement in Russia. It will have become a creature of the state.

Meanwhile, prices in Britain continue to rise while wages are virtually frozen.

Some socialist intellectuals who applauded the government's prices and incomes policy have begun to have second thoughts. The policy, they claimed, was justified because it halted wage inflation, and price control would tame the capitalists. Unfortunately, the intellectuals forgot to read the small print. In their enthusiasm for a measure designed to prevent wages and dividends from rising, they overlooked the fact that the government said that prices could rise if price increases were the result of the government's own measures in putting up taxes and increasing interest rates.

Thus, everyone is poorer at the same time that his freedom is diminished.

### **Criticism Unwelcome**

Some British socialists have already begun to dissent from the measures taken in pursuit of socialism. They have no illusions left. The Tories claim that the government will have to set up concentration camps to accommodate all its opponents. That may be deliberate political exaggeration, and yet the history of socialism is full of persecution of former comrades who opposed authoritarianism.

Dissent may be the lifeblood of socialism when the party is in opposition, but it quickly loses its at-

traction when the party comes to power.

When that happens, dissenters become a danger to the socialist idea, and their freedom to criticize is described as heresy.

By imposing the highest-ever taxes and the worst-ever credit restrictions, the socialist planners have begun to kill the private capital investment goose which lays the golden eggs. The Confederation of British Industry expects that private investment will fall 15 to 25 per cent during the next 12 months. During the same period profits are expected to fall 12½ per cent.

The Selective Employment (payroll) Tax alone is taking \$2 billion a year out of private industry. This is about a quarter of the sum normally spent in private capital investment.

At the same time that private investment is drying up, public capital investment is soaring. Private businessmen have lost confidence, but the socialists are going ahead in finding more and more money out of taxes for the nationalized industries. By the middle of 1967, for the first time in British history, nationalized industries will be increasing their capital investment at a higher rate than privately-owned industries.

The significance of this is that by supporting nationalized indus-

tries liberally out of the taxpayers' money, the socialists will have succeeded in their aim of altering the whole basis of the British economy in favor of state-controlled concerns. For, as the British taxpayers know to their sorrow, a nationalized industry does not need to make a profit. Its losses can always be met by the imposition of bigger taxes.

### **Curbing the Press**

Keeping step with the individual's loss of freedom is the threat which the credit squeeze poses to the whole of the British press.

The nation's newspapers and magazines are already in serious trouble. By the end of 1966, when consumer spending had been severely reduced and unemployment had soared to well over half a million, newspaper advertising appropriations had been sharply cut.

Some small newspapers and magazines have ceased publication because they lacked the capital to stand losses caused by the withdrawal of advertising, and even the bigger and wealthier newspapers are so reduced in size that they have become shadows of their former selves.

If the credit freeze lasts for another 12 months, it will hit Britain's press so hard that the restriction of choice will make a mockery of democratic freedom to

read minority opinion. If that happens, financial stringency will have achieved what Nazi Germany's bombers failed to accomplish during six years of war.

At stake is nothing less than what John Milton, one of England's greatest poets, described more than 300 years ago as "the liberty to know, to utter and to argue freely."

We are being reminded forcibly in Britain today of Milton's famous words about what would happen if freedom of publication were to be lost. He warned: "We can grow ignorant again, brutish, formal, and slavish."

There are eleven major national newspapers in Britain, and seven of them are said to be running at a loss.

According to Lord Thomson, Britain's multimillionaire newspaper proprietor, who also owns newspapers in the United States and Canada, the economics of the newspaper business dictates that only four, or possibly five, of Britain's big newspapers will survive.

If that happens, millions of readers will be denied access to the kind of material they want to read. It is not a situation likely to make for a healthy and informed democracy.

The socialists seem quite unconcerned by the drying up of the sources of free expression. They

have no particular love for the press, and they actively dislike the advertising industry, which they describe as parasitic and wasteful of money and effort. If the advertising industry disappears down the drain, there will be few tears shed among socialist planners.

### ***Men of Outstanding Ability Flee the Socialist State***

Britain's socialist government is, however, acutely worried by the rate at which so many eminent scientists and medical men are disappearing down the "brain drain."

One-third of the annual output from British medical schools is now emigrating to North America, Australia, and New Zealand, and even that high proportion could rise this year.

There is no doubt at all why Britain's scientific and medical brains are deserting their native country. They are fed up—with their pay, their working conditions, their diminished status under socialism, and their prospects.

British government spokesmen describe the emigrating brains as unpatriotic.

Those who are going, however, urge that they should be free to sell their brains to the highest bidder. They also consider it a basic freedom that a person

should be able to move in search of better conditions.

That freedom may be diminished during the next few months. The British government is said to be considering a ban on foreign firms advertising in British newspapers and magazines for scientific and technical staff. This would cut off American scientific agencies, both government sponsored and privately owned, from their most promising source of material.

Just what this would mean to American aerospace and electronic companies has been described by Mr. William Douglass, a recruiting agent for big American and Canadian firms. He says: "There is no doubt that the scientifically trained man in Britain is vastly superior to his American equiva-

lent. He has a much more specialized expertise which is most valuable."

The proposed ban will not only disappoint American scientific agencies, but it will infuriate all those British scientists who are desperately anxious to find freedom outside their native land.

British scientists concede that such a ban would slow down the brain drain, but they doubt whether, by itself, it would effectively block it. Unless the socialists ban emigration altogether, scientists say, a determined man or woman will always find a way.

The British fight for freedom has been going on for centuries. It is unthinkable that the spirit which animates it will ever be extinguished. ◆

#### IDEAS ON LIBERTY

### *The Ranks of Bureaucracy*

IF EVERY PART of the business of society which required organized concert, or large and comprehensive views, were in the hands of the government, and if government offices were universally filled by the ablest men, all the enlarged culture and practiced intelligence in the country, except the purely speculative, would be concentrated in a numerous bureaucracy, to whom alone the rest of the community would look for all things: the multitude for direction and dictation in all they had to do; the able and aspiring for personal advancement. To be admitted into the ranks of this bureaucracy, and when admitted, to rise therein, would be the sole objects of ambition.

# The PURPOSES of ANTITRUST

HAROLD M. FLEMING

THE BASIC PURPOSES involved in the enforcement of the antitrust laws of the United States — like those behind many other activities of the U.S. government — are obscure and in some cases contradictory.

These regulatory activities of "*the Government*," might be expected to reflect an emotionally integrated Higher Personality, at peace with itself and without serious inner conflict. But certainly in the antitrust activities, this is not so. The aims of the two enforcement agencies—the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice — are palpably confused. So are the laws. So is Congress. And so are businessmen.

There are broad reasons for looking into those purposes. The

Sherman Antitrust Act has been called a part of the American "economic constitution." The enforcement agencies and the courts have vastly enlarged its meaning from the fairly simple and brief act of 1890 whose drafters were chiefly concerned with federalizing the common law about conspiracies and monopolies. So unambitious seemed the original concept that the House of Representatives passed the final version unanimously, 270 to 0; for some years after 1890 "the Sherman Act" meant the ill-fated Silver-Purchase Act of 1890; the original drafters of the Antitrust Act seemed unconcerned when it remained virtually a dead letter through the speculative mergermania of 1901; and the present antitrust laws, as interpreted, would horrify Senator Sherman. For the genealogy of today's antitrust (as interpreted) runs back, not to Sen-

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ator Sherman, but to Ida Tarbell, Teddy Roosevelt, Woodrow Wilson, Louis Brandeis, Wright Patman, and Thurman Arnold, not to mention Edward Bellamy and Thorstein Veblen. And many of *their* purposes were confused, conflicting, and confusing.

Today, the man-in-the-street may still think that "the Sherman Act" consisted of marching through Georgia, but not the businessman. The law, as interpreted, now touches almost every nerve of American business. It is a thicket, an obstacle race, a slalom, a mined field through which a corporation's lawyers must guide it. It is hard to tell what business transaction next may be found illicit.

One reason for this is the vagueness of the law today, as interpreted. Here is an example, as the Supreme Court sees it:

A merger which produces a firm controlling an *undue* percentage share of the *relevant* market, and results in a *significant* increase in the concentration of firms in that market, is so inherently *likely* to lessen competition *substantially* that it must be enjoined. . . . (italics added)

*U. S. v. Philadelphia National Bank*,  
374 U. S. 321 (1963)

The underlined words have no precise meaning; nor can anyone de-

fine them legally except the Supreme Court.

### The "Relevant Market"

The definition of the *relevant market* is a particular teaser. Whether one is charged with conspiring, monopolizing, excluding, foreclosing, or illegally merging, the question automatically comes up, "in relation to what market?"

In the important Cellophane case (*U. S. v. du Pont*, 351 U. S. 377, [1956]) the du Pont lawyers, rebutting a charge of monopolizing, argued that the relevant market was not cellophane, of which du Pont sold 75 per cent, but "flexible packaging materials" in general, of which du Pont sold less than 20 per cent. And the Supreme Court majority agreed.

But three Justices (Warren, Black, and Douglas) dissented, saying that cellophane was the relevant market and condemning the formulas both of "reasonable interchangeability" and of "inter-industry competition." Had they been a majority, this would have made du Pont guilty of monopolizing.

However, eight years later they *were* part of a Court majority which said that "we must recognize meaningful competition where it is found to exist. . . . Where the area of effective competition cut across industry lines,

so must the relevant line of commerce. . . ." (*U. S. v. Continental Can Co. et al.*, 378 U. S. 441, [1964]) This decision broke up the merger of a large metal container maker and a large *glass* container maker.

### **The "Incipiency" Doctrine**

Perhaps the broadest hunting license the antitrust laws give the enforcement agencies is the so-called "incipiency" doctrine. It consists in the two little words "may be," well known in courtship and politics. The Clayton Act of 1914 was written to "nip monopolies in the bud," that is, in their *incipiency*. So it banned quantity discounts, tying clauses, and the buying of competitors' stock "where the effect *may be* to substantially lessen competition." The legal meaning of "substantially" has in the last 30 years been whittled to almost nothing, but the "may be" has proved a little giant. It has even been compounded, in the current antimergers drives, to "incipient incipiency," proscribing acts the effect of which "may be" to produce results the effects of which "may be . . .," and so on.

To "incipiency" the antitrust enforcers imaginatively have added a "potential competition" concept. The idea is that if, for instance, two firms join in a new

venture, they substantially lessen competition because one might have gone in and the other have stayed out and so constituted *potential* competition. Thus said the Supreme Court in 1964:

. . . a finding should have been made (by the trial court) as to the reasonable probability that either one of the corporations would have entered the market by building a plant, while the other would have remained a significant *potential* competitor. . . . (italics added)

*U. S. v. Penn-Olin Chemical Co.*, 378 U. S. 158 (1964)

### **Promotion of Competition?**

With all this weaponry available, what are the purposes of the antitrust laws?

The first sentence of the Report of the Attorney General's National Committee to Study the Antitrust Laws had an answer:

The general objective of the antitrust laws is promotion of competition in open markets.

This Report, dated March 31, 1955, is the last word in an ambitious effort to appraise, review, and make recommendations on the antitrust laws. There has been nothing since of the sort. Sixty members, chosen from the leaders of the antitrust bar and aided by the heads of Antitrust and the

FTC, worked nearly two years on the report, "to prepare the way for modernizing and strengthening our (antitrust) laws," as the President wrote at the time.

Strange to say, perhaps, the word "competition" is not in the Sherman Act of 1890. Supreme Court Justice Holmes so noted in his Northern Securities (1904) dissent:

The court below argued as if competition were the expressed object of the act. The act says nothing about competition. I stick to the exact words used. . . .

And if, by "competition," as in the Attorney-General's Report, is meant "hard competition," there is probably good reason for the word's absence from the Sherman Act. In those days many people considered competition an almost unmitigated evil, to be coped with by price agreements, pools, trusts, mergers, combinations — and laws. Thousands of firms were put out of business by the industrial transformation brought by rail and wrought by steel. Edward Bellamy, perhaps the most influential writer of his day, in his *Looking Backward*, remarked that

. . . competition, which is the instinct of selfishness, is another word for dissipation of energy, while combination is the secret of efficient production.

Senator Hoar, a year after helping draft the Sherman Act, opined that a common sales agency could quite legally maintain a reasonable price if its object was "merely saving the parties from destructive competition with each other."

The Clayton Act (1914), urged by President Wilson along with the Federal Trade Commission Act, certainly wasn't written to enforce hard competition; and the Robinson-Patman Anti-Price Discrimination Act of 1936, aimed at the new grocery chains, all but outspokenly was intended to soften competition and has been so used. The trend since then was neatly summed up a few years ago by an astute British observer who noted that "there is an element of underdogery in the (American) antitrust laws. . . ." (A. D. Neale, *The Antitrust Laws of the U.S.A.*, Cambridge University Press, 1962. p. 461)

#### **A Handicapping Process**

Evidence of the law's being used for the purpose of blunting competition is increasing in the 1960's. Inherently, it is a process of handicapping larger competitors in favor of smaller ones. It appears, for instance, in the FTC's newly fashionable "deep pocket" theory, which frowns on the entrance (by merger or acquisition) of a large firm into an

industry carried on by small firms. It appears in discussion of the touchy subject of whether the law should prevent injury to *competition* or injury to *competitors* — a subtle difference in theory but a big one in practice, since the injured competitors are always seen as smaller ones.

Perhaps the most striking instance in this decade was in the aftermath of the electrical equipment conspiracy. After the sentencing of several of the conspirators to jail, the Department of Justice presented the companies involved with a consent decree for their signature, in which they were to promise not to sell at *unreasonably low* prices — on pain of contempt of court. (This would protect the weaker competitors from such stronger ones as GE and Westinghouse). This was in broad principle what their employees had just been jailed for.

#### **Whether Competitors Are to Be Preferred Over Competition**

Many people are confused, and many volumes have been written, because principle and practice are so at odds. An interesting straddle was made by the Chief Justice of the Supreme Court in a 1962 decision where a shoe manufacturer's purchase of a retail shoe chain was condemned because it might lead to concentration which

might lead to a "substantial lessening of competition." Said Chief Justice Warren:

Of course, some of the results of large integrated or chain operations are beneficial to consumers. Their expansion is not rendered unlawful by the mere fact that small independent stores may be adversely affected. It is competition, not competitors, which the Act protects.

But we cannot fail to recognise Congress' desire to promote competition through the protection of viable, small, locally-owned businesses. Congress appreciated that occasional higher costs and prices might result from the maintenance of fragmented industries and markets. It resolved these competing considerations in favor of decentralization. We must give effect to that decision.

*Brown Shoe Co., v. U. S.*, 370 U. S. 294 (1962)

Commenting on this much-quoted tour de force, a Yale professor of law said:

No matter how many times you read it, this passage states: Although mergers are not unlawful merely because small independent stores may be adversely affected, we must recognise that mergers are unlawful when small independent stores may be adversely affected.

*Robert H. Bork*, speech before National Industrial Conference Board, March 3, 1966

### The "Social-Purpose" Theory

A hearts-and-flowers accompaniment to the use of antitrust as a safety net for small business has come into fashion since World War II. It is generally attributed to Judge Learned Hand in the *Alcoa* case:

Throughout the history of these statutes it has been constantly assumed that one of their purposes was to perpetuate and preserve, *for its own sake and in spite of possible cost*, an organization of industry *in small units* which can effectively compete with one another. (italics added)

*U. S. v. Aluminum Company of America*, 148 F.2d 416 (1945)

The Supreme Court liked this decision so much that it quoted much of it shortly afterward in the *Tobacco* case; but some people said Judge Hand invented the above theory. He didn't. Fifty-three years earlier the Supreme Court of Ohio, in ordering the breakup of the *Standard Oil* trust in that state, gave as one reason:

A society in which a few men are the employers and a great body are merely employees or servants is not the most desirable in a republic; and it should be as much the policy of the laws to multiply the numbers engaged in independent pursuits . . . as to cheapen the price to the consumer.

*State v. Standard Oil Co.*, 49 Ohio 137 (1892)

And this has pretty much become antitrust dogma; so much so that Supreme Court Justice Harlan, dissenting from a recent anti-merger decision (all high-court merger decisions are anti-merger) remarked that it amounted to

a presumption that in the anti-trust field good things come usually, if not always, in small packages.

*U. S. v. First National Bank & Trust Co. of Lexington*, 84 S.Ct. 1033 (1964)

Though this "social-purpose" doctrine might have seemed compatible with the principles of economics prevailing in 1892, it is hard to take seriously now, 75 years later, except as one more argument to reinforce the case for antitrust protectionism in general. It is unhappily reminiscent of New Delhi's economic restrictions in favor of cottage industry. It certainly would imply a forcible and disastrous transformation of the American economy — whether backward to horse-and-buggy days or forward to some utopia as yet without form and void, is quite unclear.

### More Fun! More Skulls Crushed!

These implications of the social-purpose doctrine throw a pin point of light on one of the key purposes to which, certainly for the last 30 years, the antitrust laws have been turned, namely,

social and economic destruction.

The Antitrust Division, after winning the breakup of Standard Oil, the Duke tobacco combine, the du Pont powder trust, and a few other combines, failed in 1916 to break up the American Can Company, in 1920 U. S. Steel, and in 1927 International Harvester.

A lull followed; but in the 1930's, during and after the T. N. E. C. hearings, there was new talk about "fragmentation" and "atomization" of American industry, and a hurricane of cases followed.

Among the first was an attack on over 300 oil companies, seeking so many changes that the industry called it the "Mother Hubbard" case (like a large loose gown). One plea was for a breakup of the industry into its four major components, production, transport, refining, and marketing.

This case was postponed at the request of the defense authorities and was dropped in 1948 as entirely too unwieldy, but was succeeded by the "West Coast" case, where divorce of marketing, among other forms of industrial mayhem, was asked — and refused by the court.

Meantime, the Antitrust Division attacked and sought the breakup of Alcoa and of the Great Atlantic & Pacific Tea Company, and in 1948 it sought the breakup of the four then largest meatpack-

ers into 14 companies. The courts refused breakup of the first two, and the Division dropped the meat-packer case when the court refused to hear testimony going back more than 20 years.

But in 1947 the Division brought a civil suit against 17 investment banking firms — a business which had already been under regulation by the Securities and Exchange Commission since the Securities Act of 1933. The case eventually ran to a court record of over 100,000 pages, cost the defendants over \$4 million, and resulted in a 417-page verdict by Judge Harold Medina dismissing the case and commenting that the Justice Department had been led astray "by a fundamental, factual misconception of the way investment bankers in general function."

The Division also had sought to unlimb American Telephone of its manufacturing subsidiary, Western Electric, finally settling for a consent decree merely requiring Telephone to give away ("dedicate to the public") 8,600 patents. Then the Division, having obtained a Sherman-Act conviction of United Shoe Machinery Corporation for monopolizing, asked for its breakup into three companies, though it had only one plant. Judge Wyzanski refused.

In the fall of 1952 the Division

brought charges of criminal conspiracy against the five major oil companies doing business in the Middle East, while a civil case was brought against them for overcharging the Marshall Plan agency by \$67 million for oil. The overcharge case was scathingly dismissed by both trial and appeals court; and the inflammatory "international petroleum cartel" case, after scandalizing the companies' names in the Middle East, was quietly settled with three of them, and the other two cases are still, in 1967, dragging on "in discovery."

#### **The "29-Company" Oil Case**

In the spring of 1958, following the American oil industry's million-barrel-a-day emergency oil lift to Europe during the Suez crisis, the Antitrust Division, under Congressional pressure, obtained a bare-majority Grand Jury criminal indictment of a selected group of oil companies for allegedly conspiring to raise crude-oil and gasoline prices. After 18 months of pawing over a million or more company documents, the Division presented a case which in eight days broke down into courtroom absurdities, and the companies were acquitted without being required even to present their defense. Cost to the government, \$2,500,000; cost to the com-

panies, an estimated \$7,500,000.

The Federal Trade Commission over most of the 1950's was quixotically trying (perhaps) to cure the gasoline business of its price wars with a confusing series of economically absurd price discrimination charges in Jacksonville, Birmingham, suburban Atlanta, and Norfolk, Virginia. Finally it gave up, dismissed the charges, held a big hearing, and promised to publish some "guidelines," which, however, have not yet been published.

All this time the Antitrust Division was intermittently trying to "export the Sherman Act," in the process hampering American business abroad, annoying the State Department, and riling foreign courts.

What would have happened if Antitrust and F. T. C. had won the above-mentioned cases, is anybody's guess — the agencies had no proposals. There is an inkling in a remark of Judge Carter in the West Coast oil case when he refused to order the companies to sell off their marketing operations:

You cannot unring a bell. I am convinced that the dislocations that would occur would be of such nature that I don't think we can fully imagine or comprehend with any accuracy what would be the result.

At present the F. T. C. and the Antitrust Division are quietly obstructing the modernization of the structure of the banking, dairy product, beer, cement, shoe manufacturing, and other industries, and the growth of the new multiple-market and multiple-product diversified companies.\*

### **Political Instead of Economic Power**

It is hard to see how such a course of conduct, of which the above is only an abbreviated sketch, can add up to any major purpose except that of destruction and obstruction in the use of the antitrust laws. And to cap it all, the enforcement agencies have for decades been saying in effect that though the heavens and earth shall pass away, the antitrust laws (as interpreted) must be enforced. Said a chief of the Antitrust Division in 1964:

. . . the view that the antitrust laws may hamper the growth of the economy may or may not be valid, but it is irrelevant under our present laws.

*William Orrick, Jr., Dun's Review and Modern Industry, June, 1964*

John Jewkes observed in *Ordeal by Planning* that,

\*Britain has long had but six banks, while the United States has perhaps 10,000; but the Antitrust Division says that to merge some of these would do harm that would "clearly outweigh in the public interest" the prospective benefits to the "convenience and needs of the community" (Bank Merger Act of 1966) but it objects to having to prove this.

The normal procedure is for the planners first to seize power, and only later to consider what should be done with that power.

A major concern of the anti-trust authorities is the alleged economic *power* held by large private companies. It is often called "monopoly power," and has, theoretically, a sort of free-floating existence, intently discussed in antitrust literature but curiously unreal to businessmen.

The following, though penned by a minority member of the Attorney-General's Committee, expresses one of the major *purposes* in present official antitrust policy. He said that Antitrust

. . . performs the function of keeping governing power in the hands of politically responsible persons. Power to exclude someone from trade, to regulate prices, to determine what shall be produced, is governing power. . . . In a democracy, such powers are entrusted only to elected representatives of the governed.

*Louis B. Schwartz, quoted on page 2, Attorney General's Report.*

Supreme Court Justice William O. Douglas wrapped it up in his dissent in the Columbia Steel case:

Industrial power should be decentralized. It should be scattered into many hands, so that the fortunes of the people will not be

dependent on the whim or caprice, the political prejudices, the emotional stability of a few self-appointed men.

334 U. S. 495 (1948)

(He was talking about the executives of U.S. Steel Corporation, but, except for the penultimate two words, some people might read it to be about the Supreme Court itself.)

But the "scattering" of power "into many hands" is not what is happening—nor what the Supreme Court is doing. The power it is taking, or trying to take from the larger private companies, it is giving to the enforcement agencies.

Said former Attorney General Nicholas deB. Katzenbach a year ago, commenting on the Antitrust Division's perfect score in its recent antimerger cases:

We have had so many Supreme Court decisions in the merger area that it has been hard for us to digest them. . . . It may be that

we have, from the point of view of business, more power than is necessary or essential to the carrying out of an intelligent merger policy.

I am inclined to believe that we may be able to block more mergers than it makes economic sense to block.

The current rapid accrual of economic power to the antitrust enforcement agencies, barely sketched above, was perhaps anticipated by Lowell B. Mason, former chairman of the F. T. C., in his *Language of Dissent*, when he wrote:

In this country no one need fear the belted, booted, and uniformed outfit. . . . The man to watch is the man in the brown tweed suit. Mild, courteous, and scholarly, he has no badge, no boots, no gun, no warrant. All he has is a little identification card in a cellophane holder, issued by an institution that is investigator, grand jury, prosecutor, petit jury, and judge—all for one and one for all. ♦

#### IDEAS ON LIBERTY

### *The Invisible Hand*

BY DIRECTING that industry in such a manner as its produce may be of the greatest value, he intends only his own gain. . . . He is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. . . . By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it.

ADAM SMITH, *The Wealth of Nations*

# THE CONTROL OF WAGES AND INCOMES IN BRITAIN

GEORGE WINDER

SOME FORM of socialism is assured once a country accepts an inconvertible currency as its monetary medium. Its money either will lose all value, as it did in Germany and several other European countries between the World Wars, or it will be "saved" only by drastic governmental action involving all the rigors of socialist authoritarian rule.

Britain is slowly realizing this fact. The British pound over the past twenty years has been losing value at about twice the rate of the American dollar. Such inflation is reflected, of course, in constantly rising wages, which leads many persons to demand government control of wages to halt further price rises. That notion originated among Keynesian econ-

omists, but is welcomed by socialists who see in it a means to their ends. Naturally, they would insist that if wages are to be controlled, then prices and profits must also be controlled.

Though many of the British people found this new policy opposed to all their previous ideas, they gradually came to accept it as a way to achieve a stable pound. Mr. Macmillan, the Conservative Prime Minister, had failed on several promises to end the inflation. Why should the socialists, under Mr. Harold Wilson, not be given their chance?

The socialists had come to power at a time of crisis in Britain's foreign trade, when it was imperative to reduce costs and so strengthen the value of the pound. Their first attempts were half-hearted. They cut defense esti-

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mates and increased taxation, a notable example being a surtax on all manufactured imports. But, in their first two years of office, government spending rose 24 per cent, from 6.8 to 8.5 billion pounds.

In mid-1966 the pound was being supported not only by the International Monetary Fund but also by the leading central banks of the world. The socialist government took this opportunity to impose on the British people its new policy of control of wages, prices, and incomes. For the first time since the Statute of Labourers in the fourteenth century, all wages were under the complete control of the government. It had prepared the way by persuading the Confederation of British Industries and the Trade Union Congress to consent to an Early Warning System by which all increases in wages and prices were to be referred to the National Board of Prices and Incomes. The Trade Union Congress had been promised that any increases in profits or dividends were to be similarly screened.

### ***"Voluntary Cooperation" Under the Power of Coercion***

This unusual system of persuasion began with no positive Act of Parliament to make it legally effective. But the intensification of

the crisis allowed the government to pass through Parliament its Prices and Incomes Act with the necessary authority for control.

The Act ordered a general standstill (freeze) on all wages, prices, and incomes, to last until the end of 1966 and to be followed by six months of "severe restriction." The fiction of voluntary enforcement was kept alive but it was only a short time before the government invoked its power of coercion: "Although the Government has been obliged to bring Part IV of the Prices and Incomes Act 1966 into operation, they hope that severe restraint will be observed on a voluntary basis, and that the same general responsible attitude which has marked the period since 20th July will continue. The Government will use their statutory powers for the sole purpose of ensuring that the voluntary support of the majority is not undermined by the actions of a few." This is very much like the Sergeant Major's demand for volunteers . . . or else.

All incomes derived from employment and every other type of income, including professional fees and dividends, are thus made completely subject to government control. The Act provides for a fine of £500 or more for any employer who contravenes its provisions by paying over the stipu-

lated wage rate — *for paying too high a wage!*

According to a government White Paper: "It is not expected that there will be any general increase in dividends during the next twelve months. Nevertheless, all company distributions, including dividends paid by companies, are subject to the standstill and should not be increased during the twelve-month period." As to wages: "The standstill to the end of 1966 is intended to apply to increases in pay and to reduction in the working hours . . . . During the six-month period of severe restraint (i.e., the first six months of 1967) the criteria for consideration of new proposals for pay and hours will be more stringent than those set out in Part I of the White Paper on Prices and Incomes Policy and for the time being the income norm must be regarded as zero. The guiding principle must be that of national economy and social priorities."

All long-term contracts for increased wages were at the same time canceled: "It will clearly have been inequitable to introduce a standstill on incomes while allowing these existing commitments to go ahead unchecked."

It is highly probable that the prices and incomes period of severe restraint will be extended indefinitely. Many people foresee

that as Britain abandoned international free trade during the financial crisis between the two wars, so she will abandon the system of free enterprise during the present crisis. As one White Paper warns: "During the coming months, the Government will consult with interested parties about the best way of carrying forward the productivity, prices and incomes policy after June 1967."

There can be little doubt that this policy is not merely to meet an emergency, but envisions a scheme of redistribution to be imposed on Britain for as long as the Socialist government lasts.

#### **Opposition from Left and Right**

Strangely enough, although the government has obtained the consent of the Trade Union Congress to this policy, many trade unions strenuously oppose it. Mr. Frank Cousins, former Minister of Technology, has resigned over this issue, though it cannot be said that those trade unions which support him are particularly interested in freedom; they merely want the power to bargain for their own wages, whether there is increased productivity or not.

One stout defender of free enterprise among the Conservatives is Mr. Enoch Powell. He is constantly condemning Labour's policy and showing the extreme dan-

gers of its implications. He advocates, as a remedy, the freeing of exchange rates so that the British people will know the true value of their pound. The remainder of the Conservatives, of course, are against inflation; but this did not help the pound when they were in power. They failed to advocate a balanced budget or anything else resembling fiscal responsibility.

The believers in free enterprise have been led into a trap by this constant inflation. If they do not now agree to Labour's prices and incomes policy, the pound will lose

all value; and if they do agree, they must give the government unlimited power over the economy and their own freedom of choice.

The pressure of the trade unions might eventually release wages from control; but dividends would continue to be decided by the government "in the national interest" and to meet "the claims of social needs and justice"—as though it were the sole judge of these things.

The only policy which can prevent socialism's entry by the back door in this manner is to see that a country's money is sound. ♦

#### IDEAS ON LIBERTY

#### *French Inflation, 1789-1799*

NOW BEGAN to be seen more plainly some of the many ways in which an inflation policy robs the working class . . . the classes living on fixed incomes and small salaries felt the pressure first, as soon as the purchasing power of their fixed incomes was reduced. Soon the great class living on wages felt it even more sadly. . . . the demand for labor was diminished; laboring men were thrown out of employment . . . the price of labor . . . went down . . . . Working men of all sorts were more and more thrown out of employment.

ANDREW DICKSON WHITE, *Fiat Money Inflation in France*

# The GAP between Earning and Receiving



WILLIAM HENRY CHAMBERLIN

THERE WAS A TIME, within the memory of living men and women, when what an American earned was his to keep, subject to the payment of moderate Federal and local taxes. And, as a corollary, the American was supposed to pay his rent and medical expenses and make reasonable provision for his old age. This was economic capitalism — or individualism, to use a more accurate word; it was a simple and understandable system, and it was admirably calculated to promote hard work and individual responsibility. The state stayed off the back of the

taxpayer and, in turn, expected him to look out for the present and future needs of himself and his family.

Now, scarcely a trace of this system remains. Because of enormously increased Federal, state, and local taxes and because of the growing burden, on the productive part of the population, of withholding levies for various welfare programs, the gap between what a man earns and what he receives, between his nominal wage or salary and his "take home" pay, has steadily widened. Take someone who earns \$150 a week, an average rather than a high salary in this age of shrunken and shrinking dollars. After deductions for Federal and state taxes and for so-called social se-

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curity levies, very heavily increased this year because of charges for Medicare, an earner in this bracket receives less than \$115 a week, a bite of almost 25 per cent of what he is supposed to earn.

This is distinctly a growing trend. The amount deducted from wages and salaries is higher this year than ever before, even during the years of World War II. An ingenious mathematician with a computer, equipped with statistical information on the probable growing cost of the programs authorized by the late spendthrift Congress, might be able to calculate that the state's lien on the earnings of the productive by some future year, say 1984, might swallow up such a proportion of these earnings as to tempt the recipient to apply for public relief in order to subsist.

***It Happened Before and  
Can Happen Here***

Do not think this is an exaggerated, alarmist picture. It has happened before in rich and prosperous states, and it can and most probably will happen here, unless the people find some effective means to check and reverse the two parallel trends that are making the phrase, "independent middle class," more and more of a mockery. These trends are the

proliferation of bureaucracy at all levels and the ever enlarging encroachments of bureaucratic spending agencies on the earnings and reserves of producers. The state of affairs in the Byzantine Empire under the reign of Justinian, described in George Finlay's *Greece under the Romans*, flashes a warning for us:

At last the whole wealth of the empire was drawn into the imperial treasury; fruit trees were cut down and free men were sold to pay taxes; vineyards were rooted out and houses were destroyed to escape taxation. The increase of the public burdens proceeded so far that every year brought with it a failure in the taxes of some province, and consequently the confiscation of the private property of the wealthiest citizens of the insolvent district, until at last all the rich proprietors were ruined and the law became nugatory.

The law to which reference was made had established collective responsibility for the payment of taxes. But, it is not necessary to look to the empire of Justinian to find houses being destroyed because of inability to meet tax burdens. In the Mt. Desert region of Maine, with which I am familiar, and no doubt in other districts, it is not uncommon to find inns and large private houses torn down because the owners have found the taxes too heavy to pay.

### **Pay as You Earn**

There are several reasons for the substantial and rapid growth of the gap between what one earns and what one is allowed to retain. A big contributory cause, and a demoralizing development on several counts, was the institution, during World War II of PAYE, the abbreviation for Pay As You Earn. Previously, the taxpayer paid his tax at the end of the fiscal year and knew exactly what the Federal and state governments were costing him. But with PAYE the practice developed of deducting from the pay check Federal tax, state tax, and an assorted variety of social insurance payments. As a consequence, the typical taxpayer has scarcely any idea what he is obliged to pay on these various counts.

It would be a gain for financial realism and clarity if the taxpayer were given the full amount of his wage or salary and then required personally to pay all the levies which are now lumped under one process of deduction. There would then be less excuse for the persistent but mistaken idea that the government pays out of some nonexistent resources of its own for aid to Hottentots, for a large variety of schemes designed to combat poverty (no one of which remotely approaches in efficacy the decision of a poor per-

son, if unemployed, to look for a job, or, if holding a low paid job, to train himself for something requiring more skill), for Medicare and other provisions of social welfare legislation. The money for all these numerous forms of government spending comes directly out of the pockets of the people. If this fact were more generally known, as it would be if the taxpayer had to pay out the claims of the various taxing agencies after he had the feel of a full salary check in his pocket, public appraisal of legislators who are prodigal and of those who are economical with public money would probably be radically different from what the polls have been showing.

### **The Growing Burden**

Fifty years, or even thirty years ago the American citizen was regarded as having done his duty if he took care of himself and his family and made reasonable offerings to religious, charitable, and educational projects of his choice. No one expected him to play the Atlas role of assuming responsibility for curing poverty in Africa, Asia, Latin America, Appalachia, Harlem, Watts, and other slum areas.

The theory had not become popular that, unless the richer nations of the world, with America

at their head, somehow subsidized the economically retarded peoples of the southern hemisphere, not through the normal methods of trade and investments, but through direct handouts of one kind or another, the peace of the world would somehow be endangered. This theory leaves out of consideration the fact that modern history records no case of a war started by poor, economically backward peoples against more affluent powers — and for a good and obvious reason. A people must be fairly affluent before its rulers can develop the expensive weapons of large-scale destruction that are dominant in modern warfare.

Now, the American taxpayer is required to shoulder burdens of which his grandfather never dreamed, which his father felt in much lighter degree. He is supposed to pay for defending democracy in countries where most of the people do not understand what the word means, for combating famines which recur with monotonous regularity as a result of climatic, social, and economic conditions over which he has no control, for keeping a stream of aid flowing to countries of which some, so far as their governments are concerned, are clearly hostile to this country, on occasion stirring up mobs to attack our em-

bassies and other installations, in one case, in defiance of all the rules of civilized diplomacy, placing our ambassador under house arrest.

### ***Our Strange Behavior Toward Friend and Foe***

Indeed, our current policies in Africa seem to be in curious inversion of the normal responses to friendly and hostile behavior. We are meek as lambs when our citizens are arrested and expelled, our flag insulted, our embassies and reading-rooms invaded and sacked by riotous mobs. But we eagerly associate ourselves with sanctions and hostile declarations in regard to two countries which have always maintained friendly and correct relations with us and which maintain far better conditions, as regards standard of living, and peaceful and orderly living conditions, than a number of African lands which are torn with savage tribal feuds and which have suffered clear retrogression since independence was, perhaps overhastily, established. The two countries are, of course, South Africa and Rhodesia.

Our representatives in the UN, as they blithely vote for sanctions against Rhodesia and for a resolution setting this country on a collision course with South Africa about the mandate over Southwest

Africa (an issue that is emphatically none of America's business), seem oblivious of the lessons of the Congo and, more recently, of Nigeria. Suppose we could, by sanctions or threat of sanctions and military force, bring down the two most efficient and prosperous regimes on the African continent. Would the conditions that would follow necessarily be to our national advantage or liking? Here is a practical illustration of the disadvantages of our membership in the UN. Before that organization existed, Americans, as individuals, were free to hold any opinions they chose about the racial franchise in Rhodesia, or the desirability of South Africa's administration of Southwest Africa, or the theory and practice of *apartheid* in South Africa. But the United States government would have taken no official stand, would not have involved itself in unnecessary quarrels and complications.

Now, the supposed necessity of conciliating the artificially swollen bloc of new African nations in the UN Assembly (a bloc of which the voting strength is in grotesque disproportion to the political, economic, and educational development of its members) leads the United States representatives in the UN to seek such quarrels and complications — out of which new

financial burdens and responsibilities may grow.

### **Domestic Welfarism**

There is just as little prudence, just as little promise of relief for the overburdened taxpayers in domestic policy as in foreign policy. The 89th Congress, which has now passed into history, earned the doubtful distinction of being the "spendingest" Congress in American history, at least in a time of nominal peace. And most of its spending was not connected with the hostilities in Vietnam, but with a host of schemes calculated to pillage the thrifty for the benefit of the thriftless. HEW, the Department of Health, Education, and Welfare, has grown from modest beginnings into an empire disbursing 30 billion dollars annually, and completely incapable of administering its numerous and complex functions efficiently. To quote James Reston of *The New York Times* on the record of the 89th Congress:

In its first 174 years the Congress of the United States voted \$5.8 billion in Federal funds for education; in 1965-66 alone the 89th Congress voted \$9.6 billion. The first 88 Congresses voted approximately \$10 billion for health since the establishment of the Public Health Service in 1798; in the last two years the 89th Congress has voted \$8.2 billion for health, includ-

ing Medicare, almost as much as in the previous 166 years. And the record of most of the social and economic innovations of the 89th Congress follows the same pattern.

Now it would be absurd to suggest that the United States was seriously lacking for either education or health before the 89th Congress went on its spending spree. This country was a pioneer in providing education for all its children and has long led the world in the proportion of its young men and women enrolled in colleges. Nor have Americans suffered from neglected health.

#### **Loss of Local Control**

What has changed is that much power and emphasis has shifted from elected school boards, responsive to the feelings of their community, to a distant irresponsible bureaucracy in Washington; and the simple human patient-doctor relation of the past has been fuzzed up by the intrusion of an enormous official apparatus, smothering patients and doctors alike in an avalanche of questionnaires and red tape.

Most economists agree that the heavy increase in government spending during the last years is a cause of the inflation which has touched off boycotts of stores and other protests. And inflation is another cause of the gap between

what a man is supposed to earn and what he receives in real values. He may be receiving the same number of dollars, even a larger number of dollars, in his pay envelope. But if those dollars buy less, the effect is much the same as that of the ever-growing bite at the pay check, represented by taxes and social security levies.

Finally, the American taxation system, especially on the Federal level, is heavily weighted against the individual who does not like to be dependent on state handouts and would rather provide his own and his family's social security. Three points should be borne in mind in this connection.

#### **Inequitable Taxation**

First, the Federal income tax is levied on a steeply graduated basis. In most countries the weight of taxation is more or less evenly distributed between direct and indirect forms of levy. No form of tax is pleasant; but direct graduated taxation bears much more heavily on savers than do sales or excise taxes. The Federal income tax, therefore, has a strong leveling effect and sometimes makes the gap between what a man earns and what the state allows him to keep almost grotesque, as graduation advances rapidly in the upper brackets.

Second, there is a gross and

palpable injustice in the practice of taxing the same source of income twice, once when it is earned by a corporation, again when it is received by the individual stockholder in the form of a dividend. For a time, a slight abatement on income tax was granted in recognition of this injustice; but even this has now been abolished. So, income that has already been taxed at the rate of almost 50 per cent as corporation income is taxed again at individual income rates when it is received by the stockholder. In the case of persons in high income tax brackets this means that the government, with two bites at the same revenue, may take 75, 80, or even 90 per cent of net income which it has assumed no risk in earning. If this is not socialism, it is something pretty close to it.

Third, there is the capital gains tax of 25 per cent on any profit earned from selling a stock or piece of tangible property at a higher price than the owner originally paid for it. This form of taxation implies both an injustice and an economically undesirable consequence. The injustice is that the "capital gain" often barely or insufficiently compensates for the loss which inflation has inflicted on the stock or property. The owner would only be even with the game if he sold a stock

held for the last twenty-five years at two and a half times the price he paid for it. The undesirable effect of the capital gains tax is that it "locks" the investor into certain holdings and takes away from the market the desirable element of liquidity.

### ***Taxing the Middle Class Out of Existence***

A former Commissioner of Internal Revenue, Mr. T. Coleman Andrews, familiar from his office with the many inequities and the well-nigh hopeless complexity of the system, voiced this heartfelt appeal to members of Congress some ten years ago:

Whether you believe it or not, everybody is being overtaxed and the middle class is being taxed out of existence. Thereby the nation is being robbed of its surest guaranty of continued sound economic development and growth and its staunchest bulwark against the ascendancy of socialism. We, who somehow have managed to hold on, finally are beginning to see the shameful extent to which we have been made the special victims of rapacious tax enactments — and we don't like it. . . .

High rates of tax don't mean anything when there isn't anything to tax.

What with ever-growing withholding from wages and salaries, inflation, and outrageously high

leveling rates of taxation by the Federal government and by many states, the prospect that the individual will be able to retain a reasonable share of what he earns is pretty dim. But so long as we possess basic freedoms of election and expression, all is not lost.

Experience is a good teacher, and as people become more accustomed to living in a mare's nest of obstructive bureaucracy and seeing hard earned money vanish in the smoke of withholding, inflation, and oppressive taxes, a strong surge of revolt may build

up. What is most necessary is to educate, educate, educate. Two lessons that should be driven home in season and out of season are:

*That government bureaucracy will always deal with any social problem more slowly, wastefully, expensively, and incompetently than the private agencies which it seeks to supplant.*

*That, when government lightly proposes to spend tens of billions of dollars for some utopian scheme, it is not spending "its" money, but yours, and mine, and our next-door neighbor's.* ♦

#### IDEAS ON LIBERTY

#### *Two Ways*

SEVERAL MONTHS AGO, the Federal Government announced that it was going to conduct a sweeping investigation of the operation of American Telephone & Telegraph. The natural assumption of the public was that the Federal Government believes that profits, and rates perhaps, of this regulated utility are too high. The result of this investigation is that the price of A. T. & T. stock has dropped precipitately, and three million A. T. & T. stockholders are *worried*.

A. T. & T. *does* make a huge profit, but it needs these profits to plow back into expansion of plant and equipment. We have the best telephone service, at the lowest cost in the world, in the U.S.; but, this doesn't restrain powerful bureaucrats from attacking A. T. & T., which is a model of efficiency under private ownership, while our publicly owned post office loses over 800 million dollars a year.

ROSS ROY, "Can Detroit Be a Leader in Freedom of Enterprise?"

# INVESTING IN YOURSELF

ROBERT C. TYSON

LAST YEAR I took a trip through South America, and I witnessed much of a continent in ferment and in a quandary. I saw firsthand the ravages of runaway inflation on the social fabric. I heard officials, bankers, professors, and businessmen wonder out loud on how to stop inflation and transform social unrest into economic development — into a speed-up of economic growth.

The problem was crystallized at a conference on economic development that I attended. A member of the conference rose to his feet and addressed the gathering, stating: "At times we seem to be trying to grow forests while forgetting the nature of the tree."

Somewhat surprised, everybody

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Mr. Tyson is Chairman of the Finance Committee, United States Steel Corporation. This article is from his address at Samford University, Birmingham, Alabama, August 27, 1966.

in the audience turned to the speaker.

"Why don't we realize that we can only move an economy forward when we get the individual to move forward? Without him," he continued, "we move backward."

This set me to thinking about self-development and economic development, about the role of the individual in the oftentimes elusive art of nurturing economic growth — of achieving a sustained rise in the creation of goods and services — a problem common to all countries, to every type of political economy.

Economic growth is no idle phrase; although but a part of the so-called dismal science of economics, it is one of the most powerful forces in the sweep of current events.

Kings, presidents, generals, and

even dictators worry about it because no society can be great unless its productive power is unleashed.

Yet the very word "growth" can be misleading, and too many of us may be mesmerized into thinking that it is more or less biological if not automatic, that it can be fertilized, seeded, cultivated, and harvested like so many acres of wheat or cotton, that it can be simply planned from above and ordered into existence, that it can even be accelerated through — presto — revving up the money press.

#### **Only When Free . . .**

So we sometimes lose sight of the fact that economic growth, even in a closed society like communism, is an intensely personal matter, that it rests heavily on human psychology, on individual motivation, on voluntary choices. We forget that printing-press inflation is an affront to the individual, a delusion that steals away his savings and corrodes his sense of dedication to work and thrift. Above all, we overlook the essential fact that only when the individual is free can he be fully productive and creative, that society and all social institutions, including the church, government, university, and corporation, live and think and act only through the individual.

But, like "growth," freedom also seems to me to be not always understood. Many Americans, for example, seem to hold that freedom is a grant of government, forgetting that our Declaration of Independence holds that all men are "endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty, and the pursuit of Happiness." If liberty were not so endowed, then what government could grant, government could also take away.

Indeed, the genius of the Founding Fathers was their realization that government is most fallible when it comes to usurpation of freedom, that men in public office should not be blindly trusted, that the American government therefore had to be, through the Constitution, strictly limited in its powers, subjected to checks and balances, and expressly prohibited from infringing on the endowed freedom of the individual. Ours was to be a government of law, not of men. And thus does the Bill of Rights seek to confirm liberty under law.

Again, quite a few of us appear to believe that while free speech, free press, free assembly, and free exercise of religion are thoroughgoing freedoms, free enterprise is somehow an exception to the rule. I call your attention to the

growing grid of so-called "voluntary" controls in the guise of guidelines and guideposts.

### ***Importance of the Individual***

I believe, in other words, economic growth flourishes under freedom, under responsible citizenship and government, under individual growth. I believe individual growth stems from the individual's ability to serve, from his dedication to service, and from the raising of his sights on his aspirations and possessions—incentives, if you will. And I believe individual incentives are indispensable to growth in a free society and, as the manifold problems of communism prove, in an unfree society as well. Ironically, the individual in communist societies, under a philosophy of materialism, loses both material well-being and freedom. As Adam Smith, that canny Scotsman, father of modern economics and, incidentally, professor of moral philosophy, noted almost two hundred years ago: "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest." In brief—responsible self-interest. And thus does the public interest in economic growth involve the lawful private interests of individual growth.

I believe, in short, the social

good is advanced through the individual's free but responsible "pursuit of Happiness." So my philosophy for growth comes down to social growth through economic growth, economic growth through individual growth, and individual growth and individual fulfillment through self-investment and self-discipline.

### ***Capital Formation***

To be sure, textbooks and economists treat capital formation—adding to the total capital stock of a country—as the road to economic growth. This is true, as far as it goes, but it doesn't go far enough for, again, such thinking can lose sight of the individual tree for the forest. Capital formation is indeed at the center of economic growth, but individual growth and individual investment are the foundation of capital creation. Thus, when we speak of an investment in an industry or in a country, we speak directly or indirectly of investing in people, in the individual. The individual, as a saver, is the beginning of investment; he, as an investor or consumer, is the end purpose of investment. In a free society, in other words, capital investment is of the people, by the people, for the people—or, more accurately, of the individual, by the individual, for the individual.

Now, who is this mysterious individual to whom I allude? He is a very unique being — he is each one of you. When you as an individual have confidence in the future, in the purchasing power of your money, in the inviolability of contracts and property — in short, in the climate of investment — you will very likely work harder and save more. You may even directly commit your savings in an investment and share the ownership of enterprise. With these acts of working, saving, and investing, the wheels of economic growth begin to turn and the economy moves ahead.

So far so good. Yet the road to economic growth is usually not so simple, nor so smooth. Self-discipline is called for. Work involves energy, time, wear, and tear. Saving involves forbearance, abstinence, doing without. Investing involves risk, uncertainty, the possibility of loss.

But along come soothsayers and some of those cloaked in political power who proclaim an easier way, an easier life, instant or near-instant wealth, welfare, and security. They argue: Let's take care of the individual, for he's not responsible for his shortcomings; society is to blame. Let's spend ourselves into prosperity. Let's forget savings, for thrift can be antisocial. Let's run up the public

debt, for we merely owe it to ourselves. And, let's not worry too much about inflation, for it is the price of economic growth.

This siren song is heady; the ballot box becomes a short cut to paradise.

Of course there is a catch to this catchy tune — in fact, a lot of catches fraught with delusion and with losses of liberty. So, to me, the great economic question of the day ought not to be: How can we maximize our security and growth? Rather it ought to be: How can we maintain our liberty and hence our growth? For in liberty, in the Constitutional design of free choice in America, we have the mechanism for motivating the individual, for achieving economic growth and hence genuine economic security, along with the opportunity to preserve and advance freedom.

#### **A Time of Testing**

But I believe liberty is being tested as never before in America. I believe that our faith in free institutions is being tried. Campus rowdiness is giving many a college president a hard time. Rioters in our streets are beleaguering many of our major cities. Lobbyists and special interest groups demand all manner of handouts from the government — local, state, and especially Federal. In

the name of welfare and security, the demands are for more and more — not tomorrow but today. These demands strain the body politic — and economic — and erode the foundations of our liberty. The hope of government-provided welfare and security seems to have become a widespread obsession. Have we lost the lesson of how shortsighted was the welfarism of “bread and circuses” in ancient Rome? Did Benjamin Franklin have many of us in mind when he wrote: “They that can give up essential liberty to obtain a little temporary safety deserve neither liberty nor safety”?

To these questions I would only add the thought that liberty is not an abstraction; it is an intensely individual concern. It is also, as I have said, a social concern. Individual growth and social growth are as one; individual responsibility and social responsibility are also as one. Hence, I see freedom, responsibility, and growth as a three-way evolving process.

To me, freedom and its preservation imply personal responsibility which, in turn, implies self-discipline. Unless we discipline ourselves, there is danger that a Big Brother may do it for us. Responsibility, in other words, cannot be casually shuffled onto the government. Responsibility means caring about others as well as

caring for one's self. It means responsible self-discipline in the form of voluntary associations of individuals caring about other individuals. It does not mean further delegation of health, education, and welfare to the government which is to delegate excessive, and perhaps corruptive, political power.

### **Limits on Government**

We should understand, then, that while government is necessary for law and order, that in proportion as we give government power to do things *for* us, we give it power to do things *to* us. Indeed, we should understand that the result of maximizing security via government is a maximizing of loss of individual freedom.

Hence, I believe we must discipline ourselves in the demands we put upon government. To the maximum extent possible we should “do it ourselves.” We should realize that gains in national production originate with gains in individual production. We should realize that production and freedom have a common price: responsibility, work, forbearance, self-investment, self-discipline.

And I believe that each of us must discipline himself to think through and resist the temptations of the soothsayers — temp-

tations which undermine both the incentives and the independence of the individual. For example, we hear:

"Reduce hours, spread the work, and prevent unemployment." This is a tempting but shallow and socially costly demand. There is no fixed lump of work to be done. The work to be done is infinite and to the extent that each of us works less, less is accomplished. And time, after all, is relative—the fact that people worked twelve hours a day around the turn of the century is called economic slavery; the fact that some people currently work fourteen hours a day on two jobs is called moonlighting.

"Regulate job-destroying automation" is also suggested. This one has a certain specious plausibility. But automation is the new war-cry of all those who have falsely believed in technological unemployment all the way back to the machine-smashing Luddites of early nineteenth-century England. The current labor shortage testifies eloquently to the fallacy of this argument which leaped into prominence several years ago. Automation and machines realign and expand employment opportunities, increase the employee's productivity, and raise everyone's living standards.

"Curb profits and raise wages"

is another cry. But profits are the spark plugs in the engines of enterprise. Curbing profits would thus curb enterprise and hence wages. Indeed, without profits there would be no private enterprise and no private wages whatsoever.

"Restrict private affluence" is a popular theme. This thought attacks income inequality and wealth accumulation and carries the implication that, as in communism, we should all share and share alike. The argument, however, flies in the face of realism, of the diversity of skills and talents, of the need for individual incentives, of the fact that in a free society the consumer rewards in proportion to the contribution that each of us makes to production.

"Expand public welfare" has much hasty appeal. This demand, sometimes predicated on a so-called "starved public sector," carries the pretension to some of our citizens that greater welfare is without injury to the private sector. Here it should be remembered that government cannot give unless it first takes away, that excessive welfare can warp the incentive to work of both the individual who receives it and of the individual who pays for it, that it can consequently stunt economic growth.

"Put human rights over prop-

erty rights" is another bit of false logic. Of course property has no rights, but property-holders do. And no individual can exist without property — food, clothing, and shelter. Without private property the individual would have to turn to government for sustenance — and so surely surrender his freedom. Human rights are not extended by denying property-holder rights. On the contrary, human rights and dignity are promoted by helping the property-less individual to help himself, to teach him marketable skills so that he can acquire property on his own and attain independence.

#### ***Economic Growth Depends on Responsible Individualism***

Let me conclude, then, that the key to economic growth is the free individual, that true freedom cannot exist without personal responsibility, that without such responsibility liberty becomes license and transgresses on the freedom of others — license and transgression, in other words, by both individual and government.

Again, freedom involves choices — critical choices; and choices involve consequences — critical consequences. Consider some ramifications of freedom:

Freedom to choose your leaders in public office.

Freedom to choose your friends and associations.

Freedom to choose your way of worship.

Freedom to choose your career and where you work.

Freedom to choose how you will utilize what you own and what you earn — whether to save or to spend, whether to invest or to consume.

Yet each of these choices cuts more than one way. With the political choice, for example, you can vote for the candidate who promises that he will work to preserve our liberty. Or you can vote for the candidate who promises "pie in the sky."

I am convinced the "pie" here and now will be bigger and our liberty safer as we invest in ourselves — and discipline ourselves — to better serve others. ◆

#### **IDEAS ON LIBERTY**

#### ***Beware of Enslaving Others***

WHAT YOU SHUN enduring yourself, attempt not to impose on others. You shun slavery — beware of enslaving others! If you can endure to do that, one would think you had been once upon a time a slave yourself. For vice has nothing in common with virtue, nor freedom with slavery.

# Political Dreams

MEN can dream, can't they? And, while they are about it, they might as well dream about a political future that would restore to us our individual dignity and freedom to own and act. We need parables to tell us that the libertarian philosophy has regenerative power, and that we aren't necessarily destined to become a world of ants or bees, each of us assigned for life to our little place in a communistic heap or hive.

Two good men have dreamed recently about a forthcoming dramatic shift in American political behavior that will save us from the hive. One of them, Allen Drury, is an old hand at writing political fiction. His latest novel, *Capable of Honor* (Doubleday, \$5.95), is the third installment of what has been projected as a tetralogy. Once again we meet old political and diplomatic heroes and villains who made Mr. Drury's *Advise and Consent* and *A Shade of Difference* such memorable

stories of crises in Washington, D.C., and in the outer world.

The other political dreamer is Holmes Alexander, one of our more lively conservative newspaper columnists. His novel, *The Spirit of '76* (Arlington House, \$6.00), follows the same basic pattern that forms the groundwork of Mr. Drury's *Capable of Honor*, for each story is built around the flummoxing of modern collectivist "liberals" by a strong president of libertarian bent who happens to be in the White House because of the death in office of a predecessor.

Like Mr. Drury, Mr. Alexander has written an installment in a series, for two characters who appeared in Alexander's collection of short stories about Washington political life, *The Equivocal Men*, are with us again in *The Spirit of '76*. One of the characters is Calvin Borton, the "liberal" scandal-mongering columnist; the other is his conservative opponent, Phil Obermeister, a decent fellow who has

a hard time selling his stuff to an opinionated "liberal" press. Together these characters give the reader a running commentary in piquant counterpoint on what happens in Mr. Alexander's spirited dream tale.

### **The Role of the Press**

Of the two novels, Drury's *Capable of Honor* has the more professional finish. Like its two predecessors in the projected tetralogy, it makes canny use of contemporary parallels, taking bits and pieces of living people and recombining them to form new, but instantly recognizable, human beings.

Everything that Mr. Drury writes is courageous, but *Capable of Honor* is the nerviest thing he has yet done, for this novel takes the whole mass communications industry in the United States for its collective villain. The leader who gives the signals to newspaper, magazine, radio, and TV in *Capable of Honor* is a portentous columnist named Walter Dobius, more familiarly known to his old colleagues as "Walter Wonderful." He is not basically an evil man, for he believes in what he is doing. But he does evil with an utterly humorless inadvertence, for he can't conceive that there should be an elementary fairness even on the front pages

in the presentation of news as such. Walter Dobius thinks there is only one side to any given story, and that side is the one that grows from his own "liberal" bias.

So, when "good old Harley Hudson," who has become President of the United States after seven frustrating years in the Vice-Presidency, actually stands up to the communists when they massacre American citizens and burn Standard Oil installations in far-off Gorotoland in Central Africa, Walter Dobius takes it as a personal affront. His advice would have been to let the UN "negotiate" with a bunch of bush communists who had illegally seized the power in Gorotoland with the undercover help of Soviet Russia and Mao Tse-tung's Red China. And, when Moscow and Peking compound their mischief by touching off a seizure of the Panama Canal by "local patriots," thus putting the U.S. into two small wars some eight thousand miles apart, Walter Dobius considers it as a sign from the Deity that Harley Hudson must be punished for his refusal to give in to the communists in the first place.

Harley Hudson is a character that has been synthesized by taking a snippet of Harry Truman, a goodly portion of Lyndon Johnson, and large elements of Barry

Goldwater, and whirling them all together. But the Hudson personality rings true for all of the oddity of the mixture, for it is the "old American" parts of Truman, Johnson, and Goldwater that are here. Hudson's embattled Secretary of State, Orrin Knox of Illinois, is one part John Foster Dulles, one part Bob Taft, one part Paul Douglas, and one part Karl Mundt, which is to say that he is a man to be trusted when the old-fashioned honor of the United States is involved.

But the new word with Walter Wonderful and his crowd is peace. It is the old story of Winston Churchill and Neville Chamberlain, told over again in American terms. But Walter Dobius and his TV friend, the Big TV Chain "anchor man," Mr. Frankly Unctuous, can't see the Munich analogy in Gorotoland, or the partitioning-of-Poland parallel in the communist connivance to "share" the Panama Canal with a local stooge, Felix Labaiya, who has been Panamanian Ambassador to the United States.

When he succeeded to the Presidency through the death of his predecessor, Harley Hudson promised his old colleagues on Capitol Hill that he planned to step aside after completing his term. But when Walter Wonderful and his friends turn virtually the entire

mass communications industry into a conspiracy to put Ted Jason, the Governor of California, into the White House, it is too much for "good old Harley" to take. Like other politicians before him, he argues himself into taking an "indispensable man" position and decides to become an active candidate to succeed himself.

Naturally, being the "head of the party" by virtue of his incumbency, he has certain built-in campaign advantages. But he barely succeeds in making it, and the closeness of the shave is what makes *Capable of Honor* the exciting fiction that it is. The day is saved only because one of Mr. Drury's old "villains," the Bob Leffingwell who lied in an earlier Drury fictional panel about his youthful association with the communists, happens to turn "hero" at the eleventh hour, thus delivering crucial New York convention votes to the Harley Hudson column.

There is vast excitement in the way Mr. Drury manipulates everything, and there is much food for thought in it, too. The novel is particularly good in its portrayal of the effect which conniving with underworld violence and lawlessness has on politicians who would do anything to win. It is weakest in its failure to make allowance for the possibility that commu-

nism in Red China, in Soviet Russia, and in satellite eastern Europe is about to decay from within. But this possibility, which is currently hinted in a hundred dispatches from Hong Kong and Tokyo concerning events in mainland China, never occurs to Walter Wonderful and his gang. They want to temporize and shilly-shally with the rest of the West in the UN because they would in the last analysis rather be Red than dead.

### ***A Principled Decision***

Mr. Alexander's story deals with a President, Jerry Chase, who actually does step down in order to keep his word to himself. But, unlike Drury's Harley Hudson, Alexander's mythical President has already succeeded in creating a "Chase cult" that is powerful enough to guarantee a victory for a good American conservative over a "liberal" American of the Finnegan clan.

Where Mr. Drury's White House incumbent wins a victory for his side by using the great powers of his office, Mr. Alexander's protagonist actually succeeds by relinquishing many of the overaggrandized perquisites of the modern chief executive. Thus, President Jerry Chase is more truly in the "old American" grain than President Harley Hudson. But Alexander's "liberal" columnist,

Cal Borton, is far less of a menace to a good libertarian American future than is Drury's Walter Dobius. In stooping to conquer, Harley Hudson does what he has to do.

Mr. Alexander's novel is even more frankly a dream than is Mr. Drury's, for it involves revulsions in the contemporary American character that are more instantaneous than those which Mr. Drury writes about. The world moves swiftly in Mr. Alexander's happy prose where its tread is more hesitant in Mr. Drury's vision of what is in the cards for the day after tomorrow. But both novels are good bracers for libertarians who are suffering from a loss of nerve. ◆

▶ **THE PLAY WITHIN THE PLAY: THE INSIDE STORY OF THE U.N.** by Hernane Tavares de Sa (New York: Alfred A. Knopf, 1966) 309 pp., \$5.95.

*Reviewed by William Henry Chamberlin*

AN INSIDER in a world organization naturally sees most of the game. Especially when the insider is as urbane, as sophisticated, and as free from propaganda clichés as the author of this book, a Brazilian former Undersecretary for Information at the East River head-

quarters of the United Nations. Mr. de Sa has quit the organization and distributes his bouquets and brickbats without fear or favor and with a pleasing absence of inhibitions.

One could hardly ask for a more readable guidebook on what makes the U.N. wheels revolve, on the hectic U.N. social life, with an average of two cocktail parties a day. The rules for these parties are outlined in lively fashion; the reader is initiated into methods of gathering diplomatic information, of unloading bores on wives, on observing such taboos as not creating mixes of Israeli and Arab delegates, or throwing a South African representative into close contact with representatives of black African states.

Some of Mr. de Sa's observations are on the social column gossip side; but he can be quite serious when the situation demands. He strengthens the misgivings of many Americans about their country's timid role when the Hungarians struck for freedom in 1956; in his opinion, the Soviet leadership was undecided about the advisability of all-out intervention to crush Hungary and a firmer American attitude, with some appropriate military gestures, might have tipped the scales in the right direction.

He is vigorous and forthright in

his condemnation of U.N. action in using its expeditionary force to crush Moise Tshombe's autonomous regime in the Congo, a stupid move in which the United States unfortunately cooperated and concurred. He notes that this venture had no justification under the Charter, brought the U.N. to the brink of insolvency, and made any future similar operation unthinkable, tartly summing up:

So the Congo episode might turn out, after all, to have been a useful lesson. Still, at ten million dollars a week (the sum the U.N. was spending on its military and civilian operations) Congo College charged the U.N. a stiff tuition for its education.

As a general rule, with one important exception, the Brazilian ex-official of the U.N. displays a refreshing and often humorous quality of hard-boiled realism in distinguishing the men from the boys, the few genuine powers from the many phonies. He seems to go astray, however, in suggesting that the U.N. serves the interests of United States foreign policy. Just the reverse is the case.

This is most clearly illustrated by the way in which America's representatives at the U.N. have let themselves be dragged along by African states into provocative positions toward Rhodesia and South Africa, two countries with

which the United States has no ground for hostility whatever. Were there no U.N., it is scarcely conceivable that the United States Government would have participated in sanctions against Rhodesia, which, unlike some recipients of American bounty, has never insulted the American flag, burned down United States installations, and made life unsafe for United States diplomatic personnel. Or that it would have struck a crusading pose on such an issue as the South African mandate over Southwest Africa, or *apartheid* in general.

But, this one blind spot aside, the author gives a spirited and highly readable account of the way in which the passengers in the East River Noah's Ark fight and play and generally behave themselves. ◆

▶ **THE FIRST NEW DEAL** by Raymond Moley, with the assistance of Elliot A. Rosen (New York: Harcourt, Brace & World, 1966), 577 pp., \$12.50.

*Reviewed by Mary Jean Bennett*

FOR AN INSIGHT into the New Deal — and if the past is prologue, an outlook for the Great Society — one could scarcely do better than read Raymond Moley's masterful *The First New Deal*. Moley, now a columnist for *Newsweek*, was

the Columbia law professor who gathered together in 1932 and for a number of years directed the famous "Brain Trust." This was an early think tank that included such figures as Rexford Guy Tugwell and Adolf A. Berle, Jr., and that funneled policies and speeches to Franklin Delano Roosevelt and helped frame the social revolution known as the New Deal.

To Moley, schooled on the Progressive Movement, on "progressives" like Henry George and Charles Beard, the Great Depression called for pragmatism — bold approaches to solve the cruel problems of industrial stagnation: bank failures by the thousands, unemployment in the millions, factories operating at a fraction of their capacity, home and farm mortgages being foreclosed at a rate never before witnessed in the country.

Moley was attracted to the New York governor by FDR's "pragmatic optimism," which was "marvelously effective because it was so contagious." Again, FDR's "activism was a correlative of his optimism and his love of experimentation." In one of his first assignments as a speech-writer, Moley inserted the phrase, "the forgotten man," into an early FDR 1932 campaign address. The phrase was lifted from William Graham Sumner's famous essay of that title. But Moley and FDR used it in an

entirely different sense. The phrase caught on; Moley was in.

He witnessed history — and helped make it. He gives inside accounts of the sweeping 100 Days beginning in March, 1933, and of the London Economic Conference beginning in July, 1933. But slowly disillusion set in; the vision of economic recovery in a free society receded; desperation and radicalism gained ascendancy. FDR's acceptance speech to the 1936 Democratic Convention triggered Moley's break with FDR.

Moley had a hand in the speech draft and in fact supplied the phrase, "rendezvous with destiny," but he was dismayed by the excesses that crept into the draft via other "ghosts": denunciations of "economic royalists," "new mercenarries," "concentration of control," "privileged princes," and "economic dynasties thirsting for power." This was not the FDR of 1932 and earlier; this was not the man who had accepted the Democratic nomination for President in 1932 with the words:

We must eliminate unnecessary functions of Government—functions, in fact, that are not definitely essential to the continuance of Government. We must merge, we must consolidate subdivisions of Government, and, like the private citizen, give up luxuries which we can no longer afford.

Nor was this the man who had run on the 1932 Democratic Party plank:

An immediate and drastic reduction of governmental expenditures by abolishing useless commissions and offices, consolidating departments and bureaus and eliminating extravagance, to accomplish a saving of not less than 25 per cent in the cost of Federal Government, and we call upon the Democratic Party in the States to make a zealous effort to achieve a proportionate result.

In short, by 1936 Moley was fed up and soon submitted his resignation. In 1939 he published his critical memoirs, *After Seven Years*. The metamorphosis was pretty complete. His teacher, Charles Beard, apparently went through the same cycle and Moley writes that "Beard and I had many conversations in his later days, in the 1940's, and perhaps he and I both went through a change in which we re-examined all of our earlier preconceptions."

So it came to be that Moley, a champion of reform, found that centralization can lead to excess, that there was truth in Acton's thesis on the corruptibility of power, that he felt more at home in the Republican Party for whose Presidential candidates he worked long and hard, from Wendell Willkie to Barry Goldwater. ♦

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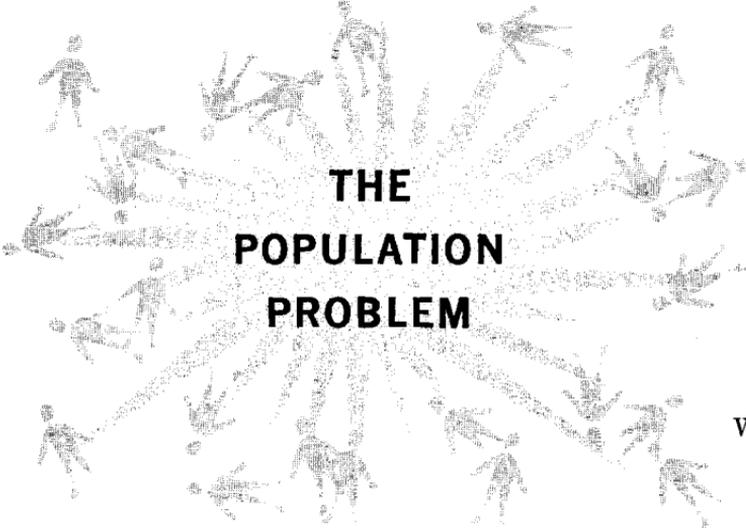
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# THE POPULATION PROBLEM

W. M. CURTISS

PLANNERS the world over are pointing to the current and pending population explosion and the dire consequences which will arise therefrom. The stories are truly frightening. It is usually contended that population, especially in the developing countries, will far outrun the production of food, and mass starvation will result unless something is done about it. The "something" which must be done ranges all the way from sharing our agricultural surpluses, tractors, livestock, and hybrid seed to the use of the "pill" to cut birth rates. Is it any wonder that individuals, if they view all this as a collective problem, feel helpless and frustrated in looking ahead into the next century?

Does history tell us anything

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Dr. Curtiss is Executive Secretary of the Foundation for Economic Education.

about population problems and their solutions? Indeed it does. It tells us, for example, that individuals respond one way to freedom and responsibility and another way to socialism. So long as a family with freedom to increase its own numbers has the responsibility of rearing its young and caring for its old should they become helpless, there is a very strong incentive to (1) restrict its numbers within manageable limits, or (2) increase the productivity of the family and its ability to care for increasing numbers. Both factors are usually at work.

When there is freedom to add numbers to the family without responsibility to care for them, we have a genuine problem. Nor are we lacking examples which bear this out. In the United States, families on relief, with payments based

in part on the number of children in the family, tend to be larger than where responsibility for child care rests with the parents. One need not be surprised at this manifestation of human nature.

### **A Strong Motivation**

Responsibility toward one's children — the desire to do well by them — is a strong motivating force. But if the opportunity arises, some parents are willing to shift this responsibility — whether to relatives, to friends, or to the state.

Even in our comparatively free economy, more and more of the responsibility for rearing children is being shifted to the state. Perhaps it began with "free" elementary education. No matter how many children a family sends to a government school, the school tax rate on that family's property is the same as on other property. The greater the number of children in a family, the lower that family's tax per child. And for families with no property to tax, schooling is literally free.

Such "free" education also has been extended to high school and college levels; and increasing Federal aid for education further diminishes parental feelings of responsibility for rearing one's children.

Another example of shifting the

responsibility to the state occurs in the form of exemptions for children on one's income tax return. The more children, the less tax. Young parents, in announcing the birth of a baby, sometimes describe it as a new exemption. The income tax exemption is comparable to the practice in some countries of paying family allowances. The more children, the greater the tax allowance or the benefit payment.

This is not to say that modest income tax exemptions for children or even "free" education and recreation are a great incentive to increase the size of families in an advanced economy such as ours. But such measures tend to work in that direction, and they illustrate the shift of responsibility from parents to the state.

### **Changing Circumstances**

In the early primarily agricultural economy of the United States, large families were common. Not a high proportion of children reached maturity, but those who lived were an economic asset at an early age, both in the home and in the fields. Following the Industrial Revolution, with comparatively fewer engaged in agriculture and a higher proportion of the population living and working in urban centers, the incentive for large families declined,

and so did birth rates. Parents were presented with a choice between a large number of children at a subsistence level of living, or fewer children with more of the so-called "advantages of life."

In most of the advanced industrial countries today, we find lower birth rates and smaller families than in the developing, agricultural countries.

#### BIRTH RATES

(Births for each 1,000 population)

##### *Industrial Countries*

|                       |      |
|-----------------------|------|
| Belgium (1965)        | 16.5 |
| Denmark (1965)        | 18.2 |
| Italy (1965)          | 19.2 |
| Japan (1965)          | 18.6 |
| Switzerland (1964)    | 19.2 |
| United Kingdom (1965) | 18.4 |
| United States (1965)  | 19.4 |

##### *Agricultural Countries*

|                   |       |
|-------------------|-------|
| Brazil (1959-61)  | 40-43 |
| Burma (1965)      | 44.8  |
| Costa Rica (1964) | 40.8  |
| Ecuador (1964)    | 46.9  |
| Guatemala (1964)  | 44.4  |
| Mexico (1965)     | 45.3  |
| Venezuela (1964)  | 43.4  |

Source: *Statistical Abstract of the United States, 1966*

Since World War II, Japan has been experiencing an industrial revolution. Prior to the War, Japan had a very high birth rate, and planners were predicting a serious population situation as

numbers outstripped the nation's food production. But with the growth of industry in Japan, the birth rate has been cut in half.

When men have enjoyed sustained freedom long enough to develop an advanced industrial society, with parents responsible for rearing their own children, it would appear that there is a strong tendency to limit the number of offspring. It should be noted that "rearing" as used here means more than just food, clothing, and shelter. It includes medical aid, education, religion, recreation, and whatever else parents think important for their children.

But, what if one's religion or national customs or local mores interfere with a decision to limit the size of one's family? These are some of the many factors which affect the decision of an individual. It is a personal and not a collective problem. Parents truly responsible for rearing their children are faced with many such individual decisions.

#### **Shifting Responsibility**

The real problems with regard to population arise when the responsibility for rearing their children is relinquished by or removed from the parents. This may happen in a number of ways.

Providing food free or at "bargain" prices to families is one

way of reducing parental responsibility for children. Genuine famine relief is not at issue here. The providing of free food, or gifts of any kind for that matter, whether to individual families or to entire nations, fails on at least three counts. First, it doesn't touch upon their basic need for more capital to enable them to become more productive. Second, it may discourage developing countries from seriously undertaking the job of increasing their own production of food. And third, relevant to this discussion, it eliminates economic pressures upon individuals to curb population growth.

It has been demonstrated in some developing countries that, when people are given food and medical aid, population growth tends to push against the limit of these resources with no improvement whatever in per capita welfare. As long as the people of a nation consume their entire production each year, they cannot industrialize. To become an industrial nation, at least some of the people must save to acquire the tools of production.

### **The Solution**

Population becomes a serious problem to the extent that it is considered a responsibility of government. As a matter of fact,

a great many problems originate in this manner, when government stands between willing buyers and willing sellers. Delivery of mails is a problem only because it is a monopoly of the state. If mail were handled privately and competitively in the market, the problems would be solved. Agricultural surpluses are a problem only because of government intervention. If left to the free market, supply and demand would tend to balance through price.

Transportation, especially in densely populated urban areas, is a problem only because government has stepped into the picture to regulate prices and to control transportation in many ways. Labor problems are serious, chiefly because government has granted certain monopoly powers to organized groups of workers.

So it is with population! If families individually can retain the freedom to decide how large that family shall be and, at the same time, have no choice but to shoulder the responsibility for rearing the members of the family, no population problem will exist.

If population expands faster than food supplies, the cost of food will rise and stimulate increased production or imports. If the price rises to a point where families feel it is too high, they will economize in different ways.

Some may take measures to avoid further increase in the number of mouths to feed. Some may search for better food bargains—perhaps less meat and more grains. In any case, self-responsible individuals will feel the incentive and will make the adjustment.

### **Problems Stem from Intervention**

But, if government comes into the picture—especially to take on part or all of the responsibility for rearing the children—a population problem is certain to result. And, if the state assumes *both* the responsibility for raising food *and* caring for children, two very complicated and interrelated problems will result.

The United States government, at taxpayer expense, has given away billions of dollars worth of food and other items all over the world during the past twenty years. The principal effects upon the recipients appear to be increasing enmity and increasing population. How much better if the people of the developing nations of the world could learn, instead, how we avoided our population problems by not creating them in the first place. They could learn, if they would, how we progressed from a nation 90 per cent engaged in farming to fewer than 10 per cent; yet, we feed ourselves in a way that is the envy of the

world. They might come to understand that all this happened before government started to meddle with our agriculture and created our own farm problem.

The United States could contribute to the developing countries of the world in no finer way than simply serving as a model—an example—of how freedom made it possible for the people to emerge from a small, struggling, colonial nation to a level of living that astounds the world. The miracle of all this would need explaining to those who do not understand how it could happen. That understanding is needed, not only by those of foreign lands, but by many of our own people who have come to believe that we can have more by doing less, that the state is supreme, that all the problems of production are solved, and all that remains is to divide the fruits between the public and private sectors. The great debate is whether the production of a nation is to be divided according to decisions in a free market by those who have something useful to trade; or, should government officials make the allocation according to what they think is best for all.

Yes, we could serve as an example for the newer countries. No doubt about it, they see our accomplishments and admire them.

They would like to emulate them. But, when our emissaries go abroad to explain how we became so rich, what is the typical explanation?

Since these emissaries usually are government employees, they tend to explain our achievements in terms of what government is doing. And it comes out like this: "You must have a strong central government to control the actions of the people. You must have agrarian reform. Note how we built our agricultural surpluses! You must have minimum wage laws so that purchasing power of the workers can be high. You must organize your workers so they can defend themselves against monopolistic employers. You must build expensive roads and hospitals and schools and dams, and so forth, like we do." It is fairly obvious that such explanations are failing to achieve the desired results.

Our emissaries do not tell what really brought the United States

from a poor, undeveloped nation to what it is today. Nor is this clearly revealed in the model we hold up before them. Unseen and untold is the need for a high degree of individual freedom in all walks of life—freedom to make mistakes and pay the price, as well as freedom to succeed and reap the rewards.

With freedom, people will work and produce. A few will save and create capital—tools of production that will multiply the benefits for all.

This is the lesson which developing countries need. This is far more essential to them than gifts of food, drugs, and tractors for their governments to dispense. If a developing nation learns the freedom formula—rather than "from-each-according-to-ability, to-each-according-to-need"—many modern-day problems that plague the people of this and other nations will never arise. The "population explosion" is one of those unnecessary problems. ♦

#### IDEAS ON LIBERTY

### *Freedom From Government*

ECONOMIC FREEDOM, in the American sense, is maximum *freedom from government*. Capitalism is fundamentally a system in which people as far as possible are free to *mind their own business* but not free to *mind other people's businesses*.

HAROLD M. FLEMING, *States, Contracts and Progress*

# A PROMISE TO

# INFLATE

HENRY HAZLITT



LYNDON B. JOHNSON "pledged" the American people in his State of the Union message to "do everything in the President's power to lower interest rates and to ease money." Whether he knows it or not, this was a pledge to resume and increase inflation.

He blandly took it for granted that it is a legitimate function of government to decide how high interest rates ought to be.

To begin with, this is government price-fixing, for the interest rate is a price. It is, in fact, the most important single price in the whole economy. It is the discount on future goods as against present

goods. It affects the price of everything else.

But under the influence of his Keynesian advisers, Mr. Johnson tells us that his administration "will press forward toward easier credit and toward lower interest rates." What he and they fail to see are the consequences of trying to do this.

If the free market rate of interest on short-term loans to business were under given conditions 6 per cent, and government arbitrarily ruled that it must be only 5 per cent or 4 per cent, the demand for loans to business would be much greater than the supply of existing funds. Credit would then have to be rationed among different

borrowers, with the government dictating who should get how much.

This is precisely what the Federal Reserve Board tried to do last September when it demanded a curb on bank loans to business so that more credit would be available in other directions. It has since wisely revoked this directive.

The only other way in which government monetary authorities can hold the rate of interest below the market rate is either to allow the quantity of money to increase or deliberately to increase it. Other things being equal, lower interest rates encourage business borrowing from the banks. When banks increase their loans, they increase their deposit credits. These increased deposits are an increase in the effective supply of money.

The monetary authorities may increase the money supply on their own initiative by buying government securities in the open market. They pay for these either by granting increased deposit credits to the member banks from which they bought the securities or by issuing and paying out new Federal Reserve notes. This is known as "monetizing" government securities.

Governments (and many businessmen and bankers) think this is fine because the increased bor-

rowing and money creation, at the beginning, stimulates production and employment.

But it also soon has another effect. The increased supply of dollars cheapens the value of the dollar and raises prices. The higher prices then tend to halt the increase in demand. Because of the higher prices, businessmen have to increase the amount of their borrowing still further to continue to do the same volume of business. If the monetary authorities then fail to continue the inflation by issuing still more money, interest rates soar.

That is what happened last September when interest rates went to their highest levels in more than 30 years.

Trying to force interest rates below their natural level finally results in causing them to rise much above their natural level.

Easy money policies, in short, finally lead to the opposite results from those that their sponsors hope for. What is temporarily saved in interest is more than lost in higher prices.

Easy money policies are inflationary policies. It makes no sense at all to ask at the same time for higher taxes and for cheaper money. ♦

# Antitrust "HUMBUG"

THE ANTITRUST LAWS of the United States have since the 1930's been the subject of odd, novel, and disconcerting administrative and Supreme Court decisions; and such continue to be announced at a rate that shows no signs of abating.

Examples of these appear in the spate of merger decisions beginning in 1962. The Supreme Court's first decision under the 1950-amended antimerger Section (7) of the Clayton Act, in the Brown Shoe case (370 U.S.294) was a long one. Yet four trial court judges, with Brown Shoe as guidance, shortly thereafter handed down decisions which were then reversed by the high court. And in the Von's Grocery case, decided May 31, 1966, the Supreme Court majority handed down a decision of which two dissenting Justices said:

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Mr. Fleming, for many years New York Business Correspondent of the *Christian Science Monitor*, is a prominent free-lance writer on business and economics.

This startling *per se* rule is contrary not only to our previous decisions, but contrary to the language of Section 7, contrary to the legislative history of the 1950 amendment, and contrary to economic reality.

But merger decisions are not the only recent ones likely to disconcert the business community. In 1966 the Federal Trade Commission's arguments persuaded the Supreme Court that privately-branded milk could not be legally sold cheaper than nationally-branded milk "of like grade and quality" (unless the discount was "cost-justified") — a decision likely to cast a wide penumbra of illegality over pricing in a variety of goods from milk to mattresses. Ten years earlier the same F.T.C., in the case of branded *gasolines*, had attacked a major gasoline marketer (Pure Oil in Birmingham) for trying to *narrow the spread* between major and independent brands, which are occa-

sionally of identical specifications.

And in 1964, in *Simpson v. Union Oil* (377 U.S.13) the high-court majority struck down a consignment agreement to which the Antitrust Division, in a consent decree ten years earlier, had tacitly agreed — a decision which, since perhaps a sixth of the nation's wholesale trade is done on consignment, led a dissenting Justice to write: "Today's upsetting decision carries with it the most severe consequences to a large sector of the private economy."

#### **The Belief in the Antitrust Laws**

Yet, year after year American businessmen profess their fundamental faith in the antitrust laws. The following are typical expressions of this credo:

First, I should like to make it very clear that I have for many years supported the basic antitrust statutes.

I firmly believe that these laws are good laws, essential laws, and that they have been the instruments of preserving within the business community the competitive environment which is the essence of a free economy.

Crawford H. Greenewalt, Board Chairman, du Pont, before the 1963 annual meeting of the Antitrust Section of the American Bar Association.

Maintenance of reasonable and effective antitrust policies is some-

thing that every enlightened businessman should and does support.

M. A. Wright, President, U. S. Chamber of Commerce, in a speech, September 6, 1966 in San Francisco.

And the Attorney General's National Committee to Study the Antitrust Laws, in its March, 1955 report, declared its faith in "antitrust fundamentals," saying:

Although many forces and other Government policies (sic) have materially promoted our creative American economy, we believe the antitrust laws remain one of the most important.

Statements such as the above, made by businessmen, usually are a preface to suggestions for a more realistic interpretation of the antitrust laws; the combination recalls the protestations of loyalty with which the King's subjects in former times used to plead for redress of wrongs by the King's agents, done presumably in disregard of his true intent and will.

There seem to be some premises here which are not altogether sound.

One is that there exists an unfortunately innate tendency, in the American economy, toward monopoly and conspiracy.

Another is that it has been the "historic mission" of the antitrust laws to curb this; and that,

in fact, these laws have done so, if only by their presence on the statute books.

A corollary follows naturally, from a businessman's viewpoint, namely, that the only trouble with the antitrust laws is that, in their broad generality, they have come, in recent years, to be unrealistically interpreted.

### **The Dead-Letter Years**

History seldom has answers to the question, "What would have happened *if . . . ?*" But to the question, "What would happen to our industrial economy if there were no antitrust laws?" there is a pretty fair answer. For more than two decades after 1890, the Sherman Antitrust Act was virtually a dead letter. Industrial pools to curb the cutthroat competition of the 1890's were formed, collapsed, formed again, and then replaced by huge horizontal industrial combinations, "conceived in the sin of violating the Sherman Act," as a judge put it fifteen years later. This was the greatest "merger period" in American history, the ambitious comprehensive nature of its "attempts to monopolize" being shown publicly by the new style of corporate names — National, United, American, United States, Amalgamated, Allied, and so on.

For years none of these were

challenged legally; most of them never were. There was no Antitrust Division until 1903. The first famous monopoly case was started in 1906, against Standard Oil. Three "trusts" (oil, tobacco, and gunpowder) were broken up by court order in 1911, after which a half-dozen good-sized cases were brought (against United Shoe, U.S. Steel, American Can, National Cash Register, International Harvester, and Alcoa). But the legal results were disappointing to the "trust-busters," and the rest of the attempted monopolies of 1900-1901 escaped unscathed by the law.

But not unscathed by competition. Some failed. Those that survived failed to grow with their markets; competition swept in on their flanks. In the fall of 1901, the very year of the great merger speculation, an economist wrote in the *Quarterly Journal of Economics*:

As this is written . . . almost every day brings word of the appearance of new competitors for various trusts, and the *New York Journal of Commerce* says that the revival of competition may be considered a general movement.

Charles J. Bullock, quoted in *Trusts, Pools and Corporation*, edited by William Z. Ripley; Ginn & Co., 1905, p. 472.

The survivors lost their share-

of-market most consistently when they tried to capitalize on what they thought of then, and the courts would think of now, as their "market power." The net of it all was put succinctly by the Supreme Court in 1920 in its refusal to break up the U.S. Steel Corporation: "*Whatever there was of wrong intent could not be executed.*" (251 U.S.452)

Since these combinations had already been launched when trust-busting began to be a popular issue, the only effect the law could have had on their market conduct would have been to make them compete *less* vigorously. If so, it had no apparent effect on the general vigor of the economy. Anyway, as a famous economist later put it:

The rate of increase in (industrial) output did not decrease from the nineties . . . the modern standard of living of the masses evolved during the period of relatively unfettered "big business". . . the rate of advance . . . considering the spectacular improvement in qualities, seems to have been greater and not smaller than it ever was before.

Joseph A. Schumpeter, *Capitalism, Socialism and Democracy*, Harpers, 3rd edition, p. 81.

### **Castles in the Sand**

A curious paradox dogged the trail of the Antitrust Division in

its earlier Section 2 (antimonopoly) cases. Within five or ten years of each decision, it appeared that it wouldn't have made much difference if the case had never been brought; the alleged "monopoly," like a sand castle, was doomed anyway.

In 1911 when the Supreme Court ruled unanimously against Standard Oil (221 U.S.1), the company had been losing ground for a decade. The 1900's were the "twilight of the kerosene age," but Standard was also losing ground in the new gasoline business to such vigorous new competitors as Pure, Sun, Union, Gulf, and Texaco. Its earnings were declining and its dividends were smaller in 1911 than in 1900.

The court-ordered fragmentation of Standard was ill-devised for trust-busting. For it created six refiner-marketing companies (Atlantic and the Standard Oil Companies of New York, New Jersey, Ohio, Indiana, and California) each, on the average, with as large a share of the market in its allotted area as the parent company had had for the nation as a whole. If anything, this probably enabled these survivor companies to fight the "independents" more, rather than less, effectively than a single company run from 26 Broadway could have. Nevertheless, they continued to lose, and

the independents to gain, in market share, for decades.

Other leading cases had similarly paradoxical economic aftermaths. In 1895 the high court refused to condemn the American Sugar Refining Company for combining 98 per cent of the nation's sugar-refining capacity (E. C. Knight, 156 U.S.1). But 30 years later sugar-refining was fiercely competitive again. In 1911 the "tobacco trust" breakup left a "big three" but a couple of years later an outside firm, R. J. Reynolds, transformed the business with its new burley-tobacco cigarette, "Camel." A 1914 monopoly case against a motion-picture patents pool was won just as outside competition practically doomed the pool; a 1931 order to Fox Films to sell its shares of Loew's barely preceded Fox Films' failure; and the 1948 court-ordered divorce of movie studios from movie houses hit the business almost simultaneously with TV.

In 1923 the Antitrust Division asked the courts to break up International Harvester — only survivor of the several turn-of-the-century farm-machinery mergers. Antitrust was particularly anxious to split up Harvester's 65 per cent of the grain-binder business. The Supreme Court refused, 6 to 0 (274 U.S.693, 1927). Ten years later, the company still had two-

thirds of the business in grain binders. But grain binders had been practically outmoded by the new harvesting combines.

The last of the old-fashioned big monopoly cases brought by Antitrust was against the Pullman Company, owner of the Pullman Sleeping Car Company and of the manufacturing company that supplied it. It was a Pyrrhic victory. Pullman had indeed a nation-wide monopoly of sleeping car operation, but it was an economically natural one, as the Court recognized in letting a syndicate of railroads take it over from Pullman — in one piece.

But the "monopoly" (on the ground) was also both unprofitable and ill-omened. It had earned one per cent on investment during the 1930's; and after the war the airlines did to it just about what, a generation earlier, the automobile had done to the street-car monopolies. (Pullman, Inc., invested a good part of the proceeds from its divested sleeping cars in truck-trailer manufacture.)

#### **Mousetrap-Maker's Hazard**

But after Pullman, Antitrust's spectacular anti-"monopoly" crusades no longer led toward the antitrust holy grail that businessmen say they believe in. In its attacks on Great Atlantic & Pacific, Alcoa, United Shoe, du Pont (cell-

ophane) and GM (diesel locomotives), it picked on companies that had succeeded by the four "i's" — ingenuity, imagination, innovation, and improvement. It won the A&P case on fantasy accounting and the Alcoa and Shoe cases on a redefinition of "monopolizing" to mean keeping ahead of competitors; it almost won its cellophane case on a now-discarded "relevant market" argument. The absurd criminal indictment of General Motors for revolutionizing the railroad locomotive business charged that

GM captured over 84 per cent of the locomotive market during a period in which two once-substantial competitors were driven from the field. As a result . . . the purchasers of locomotives and the public in general have been *deprived of the benefits of competition.* (italics added)

*Wall Street Journal*, April 13, 1961.

GM Chairman, Frederic G. Donner, had a sardonic comment:

While a process such as this will not turn the clock back to the age of the steam locomotive, it may well cause business to pause before undertaking the many risks of embarking upon a new business venture such as the development and manufacture of the diesel locomotive.

In the earlier cases above, the Division's antimonopoly patrol was

somewhat like an assignment to keep the Gulf of Mexico free of icebergs. But the last five cases above call to mind dissenting Supreme Court Justice Stewart's carefully documented comment in the Von's Grocery case: ". . . the defendants are being punished for the sin of aggressive competition."

### "Monopoly": Fact and Fiction

The word "monopoly" as commonly used is practically synonymous with "sin," and is about as precise. It comes down from Elizabethan days, and shows it; applied to the kaleidoscopic American business economy, it fits like a stocking on a duck's foot.

Its use as a legal "term of art" started as a fundamentally incorrect analogy with Elizabethan monopolies. The Tudor monopolies were official grants to royal favorites of the exclusive rights to trade in things that people couldn't do without or find substitutes for, like salt. They worked like very high protective tariffs, raised prices sharply, were legally enforced with guns, and could be got around only by smuggling.

It is not surprising that the American public in the 1890's was confused; the nascent American industrial system was something wholly new under the sun. But the courts began the error with their

eyes open. Said the Ohio Supreme Court, in condemning the Standard Oil Trust, after quoting a three-century-old precedent:

It is true that in the case just cited the monopoly had been created by letters patent; but the objections lie not to the manner in which the monopoly is created.

49 Ohio State, 137, 1892.

Successful businessmen soon knew better. In 1901 Andrew Carnegie and John Wanamaker were quoted as saying:

Every attempt to monopolize the manufacture of any staple article carries within its own bosom the seeds of failure . . . no men, or body of men, have ever been able, or will be able, permanently to hold control of any one article of trade or commerce.

Quoted in Ripley, p. 448.

But having early taken off from economic reality, the courts went further in flights of fancy. In the well-known Tobacco case in 1946 (328 U.S.781) the U.S. Supreme Court said this of monopoly:

The material consideration in determining whether a monopoly exists is not that prices are raised *and* that competition is excluded, but that *power exists* to raise prices or to exclude competition *when it is desired to do so.* (italics added)

One might ask, "If the monopolist has the *power*—as he did have

under a Tudor monopoly grant—to raise prices and/or exclude competitors, why doesn't he use it?" The answer, or the joker in this definition, is that, as Andrew Carnegie guessed and the would-be monopolists of 1901 found out the hard way, he *doesn't have* such power. He cannot raise prices *and exclude competitors* at the same time. His higher prices will be a loud "come-and-get-it," and the bigger he is, the louder the invitation. It is that simple.

Or it *was* that simple, in the early 1900's, when manufacture was mostly of staples, industries were distinct and compartmentalized, and price was paramount. The story of how the would-be monopolist's hazards have been multiplied since those days was dramatized, though not begun, with the Model T's story in the mid-twenties. In 1923 Ford had a near "monopoly" of the lowest-price car market; Model T's out-sold the nearest challenger (Chevrolet) well over three to one. But four years later, the Model T was dead; the heart of its manufacture stopped beating. Significantly, perhaps, 1927 was also the first year of the annual auto model change.

Today innovations come fast, obsolescence is rapid, and the profitable life of products, services, and equipment is short. The

thresholds between industries have dropped to the vanishing point. The mobility of competitive capital and managerial skill into sluggish industries has been speeded like the mobility of air-borne troops, retarded only by Sherman and Clayton Act antimerger rulings. Cloistered corners there may be; but no firm can count on keeping its feet and protecting its future except by continuously doing what got A&P, Alcoa, Shoe, du Pont, and General Motors haled into court: using ingenuity and imagination to innovate and improve.

### Conspiracy

Section 1 of the Sherman Act says, "Every contract, combination, . . . or conspiracy, in restraint of trade . . . is . . . illegal."

Some antitrust experts today feel that the prevention of business conspiracies has been the most successful part of the Sherman Act. And no quotation from Adam Smith is more fashionable today than his whimsical observation:

People of the same trade seldom meet together even for merriment and diversion, but the conversation ends in a conspiracy against the public or in some contrivance to raise prices.

*Wealth of Nations*: Book I, Chap. X, Part II.

This tells but half the story. For the natural tendency of businessmen to conspire has its own built-in "countervailing force"—their natural tendency to go it alone. This last has intermittently raised havoc with combinations and conspiracies in restraint of trade from the last decades of the nineteenth century on down through that government-sponsored open breach in antitrust, the NRA, to the electrical equipment conspiracy of the 1950's.

When pools and conspiracies have tried to set *reasonable* prices, the disruptive or centrifugal forces have come from within—from among their own members. To prevent this, devices have had to be used, such as the depositing of money by each member, to be forfeit to the other members on violation of the agreement.

Where, on the other hand, such ad hoc agreements try to set *unreasonable* (above-market) prices, the disruptive forces from within are reinforced by pressure from without. Just as the early consolidations found that raising prices to inviting levels defeats itself, so do conspiracies.

The courts have taken an unrealistic view of price agreements of even the mildest nature, just as they have of "monopoly power" that has no power. Thus in the pivotal Trenton Potteries case

(273 U.S. 392, 1927) the Supreme Court said:

The power to fix prices, whether reasonably exercised or not, involves power to control the market and to fix arbitrary and *unreasonable* prices. *The reasonable price today may become the unreasonable price tomorrow.* (italics added)

Not so, reported a 1904 observer of industrial pooling agreements before and just after 1900:

No pool or price agreement can continue where the price has not been fixed at a reasonable figure . . . only when the pool price is too low unduly to tempt the outsider . . . is its position at all secure.

Quoted in Ripley, p. 84.

In the last 30 years the anti-trust enforcement agencies have extravagantly expanded their concept of conspiracy, making it an "elastic, sprawling and pervasive offense" (Jackson, J., concurring, *Krulewich v. U.S.* 336 U.S. 440, 1949) embodying "conscious parallel action," implied conspiracy, and merely *inference of* conspiracy. A notable result has been a long record of immediate acquittals and directed verdicts of "not guilty." But an unfortunate consequence has been to endanger cooperative business activities; even when these are undertaken at the

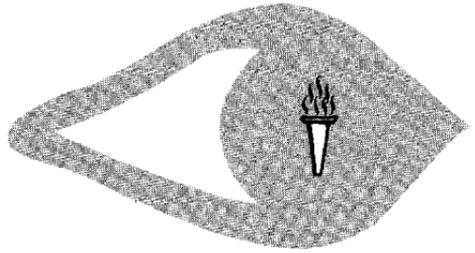
behest of government agencies, they may, in some future year, unless protected by a piece of paper from the Antitrust Division, be found criminal.

### Conclusion

In the brilliant records of American business achievement, the antitrust laws are being given a vast amount of undeserved credit. In practice such good as they have done, could have been done through Anglo Saxon common law, worked out by cases. The attempt to federalize business morality, through laws conspicuous for their vagueness, has turned out, after 75 years, to have chiefly resulted in the creation and growth of ever more powerful administrative agencies. An incidental, but understandable and natural, result has been to discourage, more often than to promote, competition. Never was antitrust less needed than today — and never more broadly applied.

Over 50 years ago, when the law was very young, Supreme Court Justice Oliver Wendell Holmes wrote to an English legal friend in 1910 his private opinion that "the Sherman Act is a humbug based on economic ignorance and incompetence."

What he would write about it now, beggars the imagination. ♦



# ETERNAL VIGILANCE

*By the seers of antiquity and to this day, man has been warned frequently:*

UNDERSTAND AND CHERISH FREEDOM,  
LEST SLAVERY BECOME A HABIT.

*Yet, man forgets – which is our justification for now reproducing some of those earlier warnings.*

## I. The Prisoner of Chillon

*François Bonnivard, who had been held a political prisoner for four years in the underground dungeon of the Chateau de Chillon, an ancient castle on the eastern end of Lake Geneva, was finally released on March 29, 1536.*

*Lord Byron wrote a stirring description of Bonnivard's captivity, "The Prisoner of Chillon." After a detailed portrayal of the prisoner's abhorrence of his confinement — during which he was kept in chains and denied even the privilege of seeing daylight — Byron describes Bonnivard's release:*

It might be months, or years, or days,  
I kept no count, I took no note,  
I had no hope my eyes to raise,  
And clear them of their dreary mote;  
At last men came to set me free;  
I ask'd not why, and reck'd not where;  
It was at length the same to me,  
Fetter'd or fetterless to be,  
I learn'd to love despair.

And thus when they appear'd at last,  
And all my bonds aside were cast,  
These heavy walls to me had grown  
A hermitage — and all my own!  
And half I felt as they were come  
To tear me from a second home:  
With spiders I had friendship made,  
And watch'd them in their sullen trade,  
Had seen the mice by moonlight play,  
And why should I feel less than they?  
We were all inmates of one place,  
And I, the monarch of each race,  
Had power to kill — yet strange to tell!  
In quiet we had learn'd to dwell;  
My very chains and I grew friends,  
So much a long communion tends  
To make us what we are: — even I  
Regain'd my freedom with a sigh.

## II. That Invaluable Jewel, Liberty

*Before the time of Christ, Aesop's fable on how the horse lost his freedom prompted this comment from the Roman philosopher and poet, Horace:*

THIS is the case of him, who, dreading poverty, parts with that invaluable jewel, Liberty; like a wretch as he is, he will be always subject to a tyrant of some sort or other, and be a slave forever; because his avaricious spirit knew not how to be contented with that moderate competency, which he might have possessed independent of all the world.

## III. Security May Betray Us

*Archibald Rutledge, noted author and owner of Hampton Plantation, McClellanville, South Carolina, shares this observation:*

I LIVE on a great river, and westward from my place, for some 60 miles, there is not a human habitation. In another direction not far from where I live is a plantation, the owner of which is not satisfied with the size of the deer on his property. So he imported from Michigan a huge security-reared stag. This buck was kept for some time in an enclosure on the plantation, inside a 7½-foot wire fence. It was in the autumn, the mating season of the deer. A native buck from the man's own place jumped that wire fence at night, killed the great stag more than twice his size,

and, once more leaping the fence, escaped into the wilds again.

When wild creatures are given the artificial security of parks, zoos, and circuses, they never fail to deteriorate — certainly in a physical way, and, in a sense, in a moral way as well. They become soft, careless, dull-witted, degenerate. All the incentive for them to achieve and to maintain physical perfection and mental alertness has been withdrawn. They have been made to pay a fearful price for their safety.

Rarely except in affliction are we awakened to a sense of our own weakness and folly, or come to

realize how little all our acquisitions can conduce to our peace of heart, which perhaps is the only real triumph in life. By some kind of negative logic, hardship, which we are accustomed universally to lament, is a blessing; and security, for which we long so ardently and strive for so unremittingly, may betray us.

Whenever I hear that the *government* is helping someone, I feel sorry for that person. Or whenever I find that someone, by a monopoly grant of power, has a

sure market or a sure job, I feel sorry for him, too. Even helping a person to help himself may be a disservice to him, for you will probably — perhaps unconsciously — compel him to do it your way. Charity, if needlessly bestowed, probably will have a vicious effect. People who are promised support will hardly work. All grants, all subsidies, all rewards for services not rendered have a deleterious effect on character; and if character is not of foremost consideration, what is?

## IV. Legislated Security Is Bondage

*Samuel Gompers, the "grand old man" of labor and president of the AFL, 1886-1924, warned his union members to look behind the humanitarian slogans used by the advocates of government-guaranteed security.*

LOOK over all the world where you will, and see those governments where the features of compulsory benevolence have been established, and you will find the initiative taken from the hearts of the people.

Social insurance cannot even undertake to remove or prevent poverty. It is not fundamental and does not get at the causes of social injustice.

The first step in establishing compulsory social insurance is to

divide people into groups, those eligible for benefits and those considered capable of caring for themselves. The division is based upon earning capacity. This governmental regulation must tend to fix the citizens of the country into classes, and a long-established insurance system would tend to make those classes rigid.

There is in the minds of many an absence of understanding of the fundamental essentials of freedom. They talk freedom, and yet

would have bound upon their wrists the gyves that would tie them to everlasting bondage.

For a mess of pottage, under

the pretense of compulsory social insurance, let us not voluntarily surrender the fundamental principles of liberty and freedom.

## V. Contented Slavery

IT MAY seem strange that the slave, totally lacking in liberty, frequently feels no strong resentment toward the master who has enslaved him. In fact, the slave may even feel grateful toward his master who "so kindly gives me food and necessities with which to live, and without which I would surely die." It is said that many a newly-freed slave after the War Between the States feared liberty because, due to the narrow vision of his experience as a slave, he acquired this strange feeling of kindness toward his oppressor. A similar feeling is reported to have been held by the oppressed in Hitler's Germany, and in Stalin's Russia; and we have noted the same feeling among those who have acquired the habit of leaning on a benevolent government in our own country. All these victims of a lost liberty are unmindful of the fruits of liberty, due to the blindness which compulsory or voluntary slavery has caused.

*Thus wrote F. A. Harper in Liberty: A Path to Its Recovery (1949) at about the same time Ralph Bradford, well-known business organizational official, was setting it to verse in his epic Heritage:*

The tragic voice of contented  
slavery!  
Of all the evils man-invented,  
Beyond the depths of conscious  
knavery,  
Beyond the limits of belief,  
It is the truth, to mankind's grief,  
That slavery can be contented!

The slave cries out when he is sold  
Down river, or his back is scarred  
With lashes; but when he is told  
That safety minus risk is offered,

He does not see that chains are  
proffered,

Or know he enters a prison yard.

And bondage is not always a chain,  
Nor a prison pen, nor an auction  
block;

It is not always labor and pain —  
It may be privilege, comfort and  
ease,

That hide the shackles he never  
sees

And fasten the slave with a gilded  
lock!

## VI. Why Is Slavery Possible?

LEONARD E. READ

IT IS easy enough to see how a man who has once known freedom might be forced — against his will and despite his struggles — into captivity. It is no puzzle, for example, to understand how a man could be forced — at gunpoint — into a Siberian salt mine.

But what is the explanation when freedom declines among men who had known its blessings and yet put up no scrap to stay free? Why the lethargy all about us while American citizens submit to one control after another? Where are the scrappers — the defenders of individuality who might forestall this trend toward slavery? Surely, slavery could never succeed in the face of determined and continuing resistance.

For example, there wouldn't be a tiger in any zoo were the tiger to remain as ferocious as when first captured. Man simply would not put up with such a beast. The caged tiger, however, does not retain his ferocity. The wild beast soon becomes docile and as grateful for its food and other attentions as a house cat.

Why? The tiger was at liberty in its native habitat, had experienced freedom, but ferocity attends only the initial stages of cap-

tivity. Docility comes quickly and certainly with imprisonment. Could the reason be that the tiger has no understanding of the distinctions between liberty and serfdom? Knows no definitions? If the tiger has no knowledge or awareness of his liberty, he cannot remember a knowledge he has never possessed. His cage becomes the only habitat he knows, and he eats and sleeps, contentedly.

There never would have been any Negro slavery in America had the Negroes remained as intractable as when first taken in hand by the slave traders. They rebelled at first but soon became docile. They, too, had been at liberty in their African habitat. However, they were primitive men. They lacked the power of articulate expression in the field of ideas. They were not in possession of definitions and the distinctions between freedom and slavery. They lacked awareness; nor could they remember that which had never been known to them. They soon accepted as normal the slavery which became their lot. They had nothing but the normalcy of their slavery to serve them as a point of reference.

Symbolic of the modern trend toward serfdom is the imposition

of progressive taxation, especially the income tax. The Sixteenth Amendment would not be on our statute books had any substantial number of Americans foreseen its consequences.

In this instance of a growing serfdom or, conversely, a loss in freedom of choice, there was no abrupt change to arouse resistance. These progressive taxes were imposed ever so gradually. Hardly anyone noticed the "take" at first. Americans adopted the principle of progressive taxation because they did not understand it. They did not realize that this was a denial of the concept of equal treatment under the laws and a displacement of the methods of voluntary exchange with a government-enforced policy "from each according to his ability, to each according to his need."

Further proof that there was but little understanding of the liberty that was forsworn and the intervention that was accepted is the fact that as the "take" has increased over the years, there has been no rebellion, even on the part of those on whom the "bite" has been the greatest. Each succeeding increase is only a new normalcy greeted with the docility and indifference of the imprisoned tiger and the enslaved Negro. And, in my view, the reasons are the same: No understanding of the

definitions and the sharp distinctions between liberty and serfdom.

It is self-evident that tigers will never be freed from zoos by any doing of their own.

It is a historical fact that slavery was not abolished in America by any rebellion on the part of the Negroes.

It is equally plain that present-day Americans who have accepted or are indifferent to the growing encroachments of the state cannot be expected to rescue themselves.

Intellectual rebellion is not made of indifference or docility. It is made of sterner stuff. It has its roots in an understanding that liberty is the freedom to do as one pleases creatively; that restraint has no place except against destructive, predatory activity; that serfdom restrains creative action. It displaces self-control with control of self by others. To deprive a person of self-control leaves him little incentive to indulge in constructive or creative thought. Without the desire, one soon loses the capacity for self-control.

A person who understands these distinctions, even though he be in prison or in the salt mines at the point of a gun, cannot be called a serf. All that can be properly said of him is, "There is a free man restrained."

Free men, defined as those who understand these distinctions, are

the only ones who can rescue the indifferent and the docile from a growing serfdom. The burden is on them and them alone. The burden cannot be shared by anyone who is unaware.

Awareness of the difference between slavery and liberty is the individual's only defense against enslavement. Therefore, it is tre-

mendously important to preserve the ideals of self-control, reflected in the concepts of personal choice, private property, freedom of exchange, and government limited to the defense of these rights of the individual. To lose awareness of these ideals makes slavery possible, without a struggle. It is passive surrender of the only reason, if not the only chance, for life. ♦



## THE BOY WHO DIDN'T CRY "WOLF!"

HELEN COPELAND

Business and conservative elements in America have continually injured their own cause by shouting, "Wolf!" too long and too often . . . Private enterprise has conditioned the public to accept rather than reject statism.

SYDNEY J. HARRIS

A SHEPHERD BOY was tending his sheep as usual when a grasshopper lit on the end of his flute. He caught it in his hand and called out in a loud voice that was heard way down in the city, "Grasshopper!" All of the important people in town and even some who were not im-

portant rushed to the hillside where the boy was intensely absorbed in watching the green bug eat a blade of grass. When they saw it was only a small insect, they were annoyed. "What's the matter with you, Boy?" the mayor scolded. "Yelling bloody murder over a little grasshopper!"

"But look at his sharp mandi-

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bles," the boy said. "He can really chew up grass." Nobody looked. They sighed and went back down the hill.

The boy caught several more grasshoppers the next day. He let them go and lay back in the soft grass to play his flute. But his ears were very acute, and he couldn't play well because of a faint annoying hum that took away the joy of hearing his own music. He turned over on his stomach and propped himself up on his elbows, his chin on his hands, frowning. Then, in the distance, he perceived the source of the hum, a loose gray cloud low over the horizon. Suddenly he was on his feet yelling, "Locusts, locusts!" at the top of his voice.

The townspeople all rushed to the hillside. "Locusts!" the mayor exclaimed indignantly, red-faced and panting from the long uphill run. "I thought you said, 'Help us.' Don't you know we've never had locusts in this area? That's just a thundercloud. Not afraid of a little rain, are you, Boy?"

"But, Sir, I can hear them. It's a huge swarm of grasshoppers out there." He pointed with his flute.

The mayor, the members of the city council, and the townspeople all looked at the dark horizon. The mayor wagged his shaggy head and snipped a grasshopper off his sleeve. "There, there," he said. "I

can see this job is getting you down. You're lonesome. Next week come into my office and we'll see about getting you a position that will suit your temperament." He smiled at the shepherd boy and his big hand squeezed the boy's shoulder. "Don't worry about grasshoppers, Boy. Think of it this way. Grasshoppers can be a benefit. They can fatten up the partridges which means more meat in the freezers. Always think positively; and don't call again, unless you see a wolf."

The boy never saw a wolf, but the next day there came a great cloud of grasshoppers to the land. They neatly clipped the green grass with their sharp little mandibles till there was none left and the sheep, baaing pitifully, straggled away. The boy then came into town, which, like the country, was overrun with locusts. The mayor with a severe case of laryngitis had gone to bed, but the members of the city council carped at the boy. "Why didn't you tell us? We could have seeded the sky with insecticide!"

"I *did* tell you!" the boy protested. But they turned their backs on him and he felt angry and confused. But he was no more miserable than anyone else. Everyone was hungry and the old joke about the lazy grasshopper wasn't funny any more. ◆

# PRINCIPLES of PROGRESS

ALL CIVILIZED societies of men have possessed inherent conceptions of human dignity and social justice. These intrinsic human values and desires, rather than the transitory governments that have attempted to articulate and formalize them, have provided the basis for social progress and the advancement of civilization.

Western civilization has been founded on two essential principles of human association. The first principle recognizes that men are entitled without reservation to the rewards of their legitimate efforts and to jurisdiction over property they have justly acquired. The second principle simply affirms the first in the hearts of men and provides mutual respect for human rights that translates into social ethics and civil justice.

The great social controversies

at the crossroads of history have often revolved around conflicts between the natural desire of men to make the most of their legitimate opportunities and governmental failure to reflect accurately this basic human right. Civilizations have stagnated and social ethics have degenerated whenever these self-evident principles of human association have been abandoned in favor of legislated social nostrums and politically contrived definitions of civil justice.

It is difficult to assess the precise evolutionary position of our own complex society and project social and political trends through to specific conclusions. Fortunately, however, present human problems and social conflicts essentially are as old as civilization itself and can be viewed in the broad perspective of political history. Political history teaches by comparison with previous exam-

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ples gathered across centuries of human relationships and is a most competent aid in making projected estimates of the future and predicting ultimate results of governmental policies.

### **A Sound Foundation**

Our nation was founded on sound principles of human association that recognized the inalienable human right of free men in society to acquire property within the framework of social ethics and civil justice. Jurisprudence, during the early stages of social unfolding, took no direct interest in processes of human enterprise or in the development of the national economy. The primary concern of law was the arbitration of justly disputed property claims; and everyone happily assumed that the blessings of liberty adequately had been secured for themselves and their posterity because these principles of social development vaguely had been defined by the wording of elaborate documents. But, like historical predecessors, the nation gradually altered founding principles to conform to constantly changing definitions and political formalizations of human rights, social ethics, and civil justice.

Human rights, social ethics, civil justice, and political freedom are words commonly employed to

convey concepts of human association. But, as is the case with all words that attempt to transmit ideas, the meanings of the words are as varied as the ideas of the people who use them. Ideas that are diametrically opposed, and all the gradations between, often find expression in the same word. Thus, in human association, whenever principles are abandoned in favor of political definitions of words, every form of social organization can find justification for its existence in the wording of a given document.

### **A Perversion of Concepts**

In our society, conceptions of freedom slowly have transmuted from self-evident freedoms of human opportunity to diametrically opposed political formalizations. Freedom is now quite generally considered to be the by-product of socialism that emancipates the human being from the moral burdens and responsibilities of self-provision, self-government, and effective living. Human rights no longer are regarded as being intrinsic to the nature of man. Rather, human rights are now defined in terms of the welfare, economic provision, and standard of living that men have a right to demand and expect from the welfare state.

Social ethics and civil justice no

longer are based upon mutual respect for human rights to unlimited opportunity. Justice now demands that effort and indolence be equally rewarded and that men contribute to the state in accordance with their ability and receive from the state according to their need. Ethics no longer reside in the hearts of men but instead are based upon nothing more substantial than the political caprice of the moment. The law itself has greatly exceeded legitimate functions of arbitration and plunged headlong into the economic and social life of the nation.

Government, with its multiplicity of laws, now directly manipulates the entire society and clumsily attempts to legislate varying human energies into conformity by reducing mankind to a common economic and social level. In the frantic search for socialized utopia, the nation has completely lost sight of this amply demonstrated historic fact. Regardless of the words employed, the principles of individual responsibility, mutual respect, and personal morality — rather than governmental proclamations — must necessarily underwrite the social institutions of any lasting society.

#### ***What Might Have Been***

Socialistic planners have assumed full credit for all progress

in every area of human association and point with fatherly pride to the continuous growth of the nation. The responsibility for astronomical public debt and ruinous inflation, which the experiments in socialism have incurred along the way, is assumed by no one. These inevitable stigmas of socialistic experimentation ignominiously are left to be pondered by future generations. How much of the national economic and social growth, generally attributed to socialistic interventionism, was due, in fact, to a normal advance in industrial technology — and indeed, how much faster and more soundly the nation might have developed without the intervention of political nostrums — are matters for hypothetical conjecture. Had the Sixteenth Amendment failed to be ratified, could the floodgates of socialism so readily have been opened? Had the fantastic sums of money, confiscated under this provision and squandered on political fantasies, been invested by private enterprise, could social objectives have been identified more accurately and attained with less waste, extravagance, and corruption? These, and many other related queries viewed against the background of political history, occupy the conjectural interest of every thoughtful citizen.

**Social Decadence**

Less conjectural, and more obvious than the economic situation, however, is the unmistakable decline of human values that has accompanied the rise of statism and the demise of the individual. By transforming principled individuals, with their natural aspirations and nobilities, into a morally bereft and politically manipulated horde, the basis for our social organization and the foundations of civilization itself are systematically being destroyed. Social decadence, and all that it portends, is a problem that responsible citizens survey with justifiable apprehension.

Every form of larceny, traditionally looked upon by individuals in society and laws of arbitration as a moral violation of human property rights, is now practiced in our society with alarming violence and ever-increasing frequency. As profligate crime rapidly spreads its cancerous growth through every economic stratum of society, stolen property is often less valued than the idle diversion sadistic crime provides. Mob violence, senseless social atrocities, and larcenous crimes against men and property are multiplying to frightening proportions. This sinister abasement of human dignity, however, obviously is only a surface symptom of a far more in-

sidious moral disease that is attacking humanity.

The socialistic planners, whose cold intelligence devised the empty, insect-like society of stereotyped human beings, view the problem of increasing immorality and social unrest as a failure of mankind to underwrite the social institutions of the new economics and thereby rise to the ethical challenge of modern civilization. But another estimate of the moral situation suggests that mankind has failed neither the new economics nor its politically defined institutions. Our immoral society, unfortunately, simply reflects the moral aberrance of socialistic government that tragically is failing humanity.

**Collectivized Injustice**

Socialism, like all government, formally frowns upon theft between individuals in the private sector of society as being immoral and socially unjust. But when socialism, by resolution and coercive law, attempts to provide equal distribution of unequal earnings, the questionable processes involved are considered to be not only well within the bounds of propriety but the very essence of morality and the epitome of social justice. When human rights to property legally are held in this dualistic perspective, it is most difficult for

any citizen to make moral distinctions between private theft and the governmental plunder of private resources.

This is especially true when governmental plunder is legally instituted and artfully engineered by elected legislators whose political abilities are gauged in terms of the economic redistribution they can obtain for their constituencies. Rather than performing the traditional role of upholding private property, the law has become a respectable instrument of larceny in the hands of the people and has taken the lead in abrogating the property rights it once so nobly upheld. Larcenous crimes for ill-gotten gain, once practiced darkly in secret, have assumed the honorable guise of social justice and boldly moved to the halls of government.

The financial aspects of reckless tax-and-squander socialistic legislation and irresponsible public debt can be debated at some length and even rationalized by proponents of the new economics as being in the best fiscal interests of the nation. But, it is not difficult to understand why citizens increasingly are losing respect for unprincipled civil authority and the odious legal and political immorality that permeates our society. Law has abandoned all principles of social justice and rests

upon no foundation but the authoritarian use of political power. The formerly venerated halls of government, in which the grimy business of the new morality is transacted, have become a disgraceful affront to every concept of human decency.

### **Youth Lost by Default**

Tragically, the young people whose formative years of social adjustment were molded by the amorphous ethical concepts of their elders, have been especially confused by the ambiguous definitions of human rights. Consequently, they are often openly contemptuous of all conniving authority that defines and sanctimoniously makes distinctions between morality and immorality, justice and injustice, private theft and public plunder. The young people, who comprise one half of the citizenry and so provide the hope for the future, already account for a heavily disproportionate share of the private crimes against men and property. This projected trend toward moral anarchy indicates that, like so many previous and now extinct civilizations, our own society is gravely endangered by internal decay of human principles.

Civilization depends entirely upon human decency and mutual respect for the rights of men.

Civil order is upheld, not by law, authority, and political phrasemakers as it apparently seems to be, but by the moral integrity of civilized human beings. Time will promote these confused young people to the hard core of an already morally decadent society and increasingly convert amoral attitudes toward property and the use of force to acquire it into anarchistic annihilation of all human dignity. Since politically contrived standards of social conduct and punitive reprisals historically have never been substituted successfully for principles of human association, or been able to guarantee even the minimum social requirements for civilization, our society obviously is approaching a vital philosophical crossroad.

### **Some Fruits of Socialism**

Socialism offers no evidence, historic or otherwise, to support the fashionable contention that a politically planned economy dramatically translates into social progress and human advancement. At no time in history have there been more laws and more violence; more social legislation and more social unrest; more state welfare and more greedily dependent citizens; more pseudo-prosperity and more irresponsible debt; more political dogmas and fewer human truths; more

formidable government and less ethical human relationships; more legal apparatus and less justice; more law enforcement agencies and less respectful and less cooperative citizens; more collectivism and more political corruption and social decay; and more young people with fewer principles to live by.

Socialism demands that citizens surrender all moral principles based on self-respect and become subservient to politically defined attitudes toward life and property rights. Life under socialism becomes an amoral course, artfully steered through a tortuous maze of absurd values and inconsistent moralizations where political power is the only criterion of justice. As young people appraise the long-range prospects for self-justification through decent and effective living under the socialistic system imposed by their elders, it is small wonder that frustration and disillusionment are leading to the modern concept of irresponsibly living for the moment.

As society approaches the crossroad and ponders the alternatives, however, there is reason to hope for a brighter future. While there is no question about general moral confusion among young citizens who hold the key to the future, thus far only relatively small per-

centages have expressed their sense of futility through acts of violence, promiscuity, and sadism. Many young people retain intrinsic human values and continue to search, with little assistance from their elders, for hopeful principles of social progress.

In the philosophical struggle to reaffirm basic principles of human association — as opposed to socialized formalizations, judicial reviews, and political interpretations of hallowed words — it is well to remember that the attitudes of the young are formed by the moral

influences that surround them and are forged by the examples of their elders. If our civilization is to avoid the bottomless pit of total collectivism and political self-destruction, the moral principle of private property and the closely related human right to self-justification must be supported and attested to in every facet of human association. Mutual respect for property rights will then indicate the ethical principles to follow in every human situation and insure social progress and the advancement of civilization. ◆

#### IDEAS ON LIBERTY

#### *We Believe . . .*

WE BELIEVE in the essential, innate dignity of the individual. This belief is the very basis of our Western culture, and of our American tradition and form of government in particular.

Our philosophy of the dignity of man — of freedom, if you will — flows from our belief in a Supreme Being. We believe that God created man — *all* men — in His image.

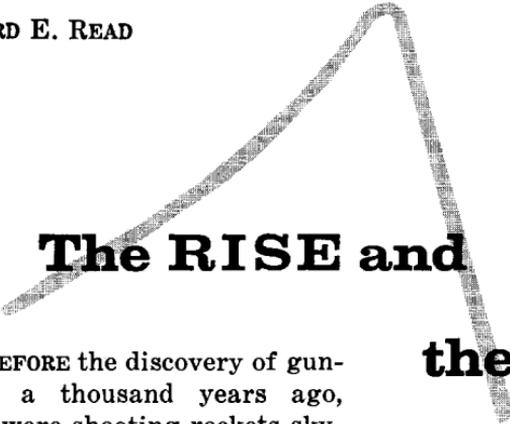
Accordingly we believe that there is a higher purpose in life than to serve the state. We believe that this purpose is not restricted to the material side of our lives but is first and foremost of a spiritual nature. In fact, we try to order our lives in the certain knowledge that our final destiny lies beyond the material concerns of this world.

This concept of the meaning and purpose of life is the direct opposite of the communist view. Dialectic materialism denies the Supreme Being; denies the spiritual side of man; denies any but a materialistic purpose in life.

Under communism, man is required to have blind faith in the state. He has no voice in the affairs of the state. He has no franchise as a citizen. He is not master of his own destiny. He is given or denied an education, according to the will of the state. He is ordered to work wherever the state needs him.

This is the atmosphere of a slave society. In the moral sense it is not and cannot be the same atmosphere that we have created here under freedom.

From an address, "Brotherhood Through Better Understanding"  
by JAMES M. ROCHE, President of General Motors



# The RISE and the FALL

EVEN BEFORE the discovery of gunpowder a thousand years ago, Asians were shooting rockets skyward. As the centuries passed, inventive man improved the propellants and the rockets went ever and ever higher. But until a few moments ago, reckoned in historical time, the rockets always "ran out of gas," as we say; that is, the propellants spent themselves. The rockets soared until their momentum was spent, but they eventually up-ended and returned from whence they came — to earth.

Must everything that goes up come down? The answer is affirmative provided that whatever goes up does not go beyond our earth's gravitational force. But what of a thrust that would propel the rocket into "outer space"? That's different, we discover: What goes up need not necessarily come down; it is possible for an object to remain in orbit indefinitely.

Although analogies are tricky devices, they can, on occasion, as-

sist in bringing the mind into range of an abstruse matter that may have an important lesson to teach. So, let's see if we can apply the rocket analogy to the rise and fall of individuals, nations, civilizations.

Dean Inge inverted an old proverb and pointed out that "nothing *fails* like success." A famous prize fighter put the same idea more dramatically, "The bigger they come, the harder they fall!" But are these conclusions *necessarily* true? Now and then — not often — we observe an individual who gets himself up topside and stays there, despite the "law" that says individual failure is an inevitable aftermath of personal success.

But when it comes to nations and civilizations we look in vain for exceptions; the record is clear: what goes up has always come down! Nor is the assessing of col-

lective rises and falls confined to the historians. Most of us, regardless of which side of the ideological fence we are on, concern ourselves with the fate of "our country" or the favorable and unfavorable trends of "America."

### **Individual Liberty the Key**

Before recounting examples of collective rises and falls, it is well to have in mind what significantly rises and falls. The one important feature to keep the eye on is the rise and fall of individual liberty. If the rise and fall of political power and coercive dominance — liberty's opposite — were the criterion, then we would be forced to conclude that impoverished Russia has risen beyond any nation that has ever existed, an absurd deduction.

Detecting the general rise and fall of liberty in a nation does not require that we examine the record person by person. It can be easily spotted by merely observing where liberty's concomitant — general well-being, economic as well as cultural — has risen or fallen. Anywhere such well-being is increasing, there we know that freedom also is increasing.

The undulations of city-states, nations, civilizations began more than 6,000 years ago with the rise of Sumer. It fell so flat and its cities became so deeply embedded

in the desert sands that historians knew nothing of it for the past 2,000 years — not until archeologists made some accidental discoveries about a century ago. And only during the past twenty years has anyone been able to decipher their cuneiform characters and, thus, to learn about the remarkable achievements of the Sumerians.<sup>1</sup>

Egypt had her heyday.

There was the rise and fall of Carthage.

Edith Hamilton writes, "A new civilization had arisen in Athens, unlike all that had gone before."<sup>2</sup>

Parenthetically, so important was Athens that many of the world's people are said to be part Greek. And, without question, all civilizations have contributed to our individual inheritance.

But Athens joined the growing list of failures; she fell from her pre-eminence.

Gibbon left us a notable record of the decline and fall of the Roman Empire.

After Rome was added to the scrap heap, we witness the rise and fall of Kiev, Venice, Amsterdam, and a host of other cultures,

<sup>1</sup> Samuel Noah Kramer, *From the Tablets of Sumer* (Indian Hills, Colorado: The Falcon's Wing Press, 1956), 293 pp.

<sup>2</sup> Edith Hamilton, *The Greek Way* (New York: W. W. Norton, 1964), 212 pp.

including the mighty British Empire. Nowhere at any time can we find an exception to this rise-and-fall pattern.

And there is a good deal of well-founded suspicion that the U.S.A. — the mightiest of them all in individual liberty and over-all well-being — has lost her thrust and is proceeding upward largely on momentum, that fateful interlude before up-ending and plunging downward into the historical has-beens.

Is this suspicion unwarranted? Will our nation be the exception to this evolution-devolution cavalcade? Can we expect the U.S.A. to break this monotony, to prove the fallacy of this cyclical theory of history? Have we the orbital secret? Or will "the bigger they come, the harder they fall" apply to our political economy as it has to the others? Assume there are grounds for this suspicion. Is there something, even at this late stage, that can be done about it?

### **Facing the Problem**

Christianity answers this question affirmatively — man can transcend himself and break with the past — and thus this belief has been the unique promise of Western civilization. Of three points I feel certain: (1) these ups and downs of city-states, nations, civilizations are Heaven's or Nature's or Evolution's diagrams,

presented over and over again, writ bold and enormously large, that all but the blind may see them; (2) we must observe, study, and learn the lessons they teach; and (3) the up-ending in the case of our country is not *necessarily* inevitable; the question is, can we intellectually meet the challenge that is unique to our times and situation? As Demosthenes declared long ago, "The time for extracting a lesson from history is ever at hand for those who are wise." Up-ending or not depends entirely on the amount of wisdom that can be brought to bear!

Getting topside is one thing; staying there is quite something else. Nor is it too difficult to see why. Reflect on our Pilgrim Fathers and other newcomers who followed. Theirs was, as we well know, a case of "root hog, or die." But their plight, as similar plights the world over, bore the seeds for its alleviation: no way to go but up. Overcoming obstacles flexes the faculties and makes for strength; there is a common desire to achieve; self-reliance flowers, induced by having nothing else to rely upon; inventiveness is mothered by necessity; there is a spread of such survival virtues as thrift and honesty. There were other seminal or originative drives which, *in certain favorable conditions*, put poverty in the

background and led, eventually, to a state of material and cultural well-being.

A part of the explanation — “the certain favorable conditions” — as to why these seminal drives brought results superior to those previously and elsewhere experienced was that, beginning with the late eighteenth century, several economic facts of life were discovered and extensively practiced: specialization, freedom in transactions, and the free market or marginal utility theory of value. But even more basic and fundamental was the unprecedented limitation placed on coercive political power, that is, the removal of restraints resulting in the freeing or releasing of creative energy. This felicitous windfall stemmed from the concept that man’s rights are an endowment of the Creator and not the state, a concept explicitly stated in the Declaration of Independence and fortified by the Constitution and the Bill of Rights: the spiritual antecedent of the American miracle!

Yes, the U.S.A., relative to all previous instances, made it topside. But staying in this position demands an art never yet acquired in human experience. Consider the seminal drives that put us there. Up is no longer the sole direction; down has been added

and is easier, requiring no more in the way of virtues than nothing; just letting yourself go, as we phrase it.

Affluent people have no material obstacles to overcome. Strength and toughness tend to weaken or atrophy in the absence of exercise. Thrift becomes “old hat,” and what more is there to achieve when one believes he has it made? Necessity is turned off as a generator of creative activity.

To top it off, “the certain favorable conditions” have decreased as material well-being has increased, playing havoc with the most powerful seminal drive of all: self-reliance. Getting to the root of it, the idea that rights are an endowment of the Creator has become old-fashioned; the state as god has been substituted for God! And this shift in fundamental concepts has witnessed, as we might expect, a removal of constitutional barriers against state power. Self-reliance, in these circumstances, gives way to a reliance on omnipotent government.

That the seminal or originative drives — Nature’s handmaidens — which put us where we are have all but spent themselves seems evident enough. And short of a wisdom wholly new to human evolution, we’ll discover that we’re not in orbit; that an up-ending is upon us; and that the U.S.A. is

just another in the evolution-devolution pattern, that is, one more diagram writ bold as a lesson for some future and, may we hope, wiser people.

But why should *we* not be the wiser people? To do the best we can in expanding our awareness, perception, consciousness — intelligence — is what's expected of us; it's clearly man's destiny. Why wait for some future people? Thousands of Americans with minds potentially up to the task are among us. Realization of potentialities is thwarted only by a multitude of distractions, trivia that any such person can easily detect for himself. The time and energy all of us fritter away — our inattention to the really important matters of life — is appalling.

What is the wisdom required to avert an up-ending? I do not know; you do not know; no one knows!<sup>3</sup> Therein is to be found my point. Looking for salvation, the wisdom in others or in organizations and institutions has no more promise than is to be found in political parties. It is this very looking elsewhere, this shiftless, disastrous, let-George-do-it pro-

clivity that draws an absolute blank. How can there be any wisdom in any one of us when everyone is looking for it in someone else?

### **The Task Is Ours**

The first fact to keep in mind is that all wisdom has its origin and manifests itself through discrete individuals and, insofar as you and I are concerned, only through you and me. Next, is to understand that whatever shows forth from either of us, regardless of how intelligently and diligently we labor at the task, can be no more than tiny fragments of light or enlightenment. And last is to entertain the conviction that only in a proliferation of the search for Truth — on the part of *everyone* who has the potentiality for abstract thought and the capability to think things through — can individual fragments of wisdom add up to a sum total sufficiently large to avert another historical up-ending.

This, in my view, is the lesson the bold diagrams have to teach. They seem to decree that settlement for anything less than our best is out of the question: that's the price; take it or leave it; no higgling and haggling. If we fail to get the message, there'll be a people, eventually, who will.

The fret is, of course, that while

<sup>3</sup> The best outline I have been able to contrive of the areas where understanding must be sought is the chapter, "The Human Situation," in *Deeper Than You Think* (Irvington, N. Y.: The Foundation for Economic Education, Inc., 1967), pp. 28-44.

you and I may do our best — will anyone else? Will everyone who is capable of this type of thinking? It doesn't seem likely, but it must be remembered that neither you nor I see very far.

The message of history's rise-and-fall sequence, given to us over and over again, is, indeed, writ bold. But some of the message is in fine print. The little I can read of it runs somewhat as follows:

- *The only way for an individual to inspire others to do their best is to do his own level best.*

- *The rise and fall of the quality of individual lives account for the rise and fall of city-states, nations, civilizations.*

- *When selecting teachers for self, or children, or for one's fellow countrymen, be certain that the teachers are students themselves. No one can aid others in their improvement who is not experiencing self-improvement.*

- *Be skeptical of all programs promising to improve the lot of mankind that do not begin with your own improvement.*

- *Do not be misled by the cliché, "Self-improvement is fine but it's too slow; time is running out." The only concern an individual should have about time is his own husbandry of it.*

- *He who favors liberty would never think of master-minding the*

*good society. Then let him not try to plan the rearrangement of a bad society. He is as incapable of the latter as the former. True practicality consists in each man probing for Truth and upholding what is revealed to him. A good society emerges only from countless, individual stands for righteousness.*

True, the message is writ bold but, then, there is the fine print which gets ever finer and increasingly more difficult to read as one proceeds. Nonetheless, it ungrudgingly yields to all who are worthy and reveals an ever deeper wisdom in response to devout and persistent probing. And, assuredly, somewhere in the dim recesses of the message is to be found that wisdom which will make it possible for man to transcend himself, to break with his past, and to upset the monotonous rhythm of the rise and the fall.

If we will aim at our own fulfillment, we can confidently leave the masterminding of nations, civilizations, and the world to the Creator. Ortega read rather far into the fine print and there was revealed to him what the personal dividend is: "Every living creature is happy when he fulfills his destiny, that is, *when he realizes himself*, when he is being that which in truth he is." ♦

# Creators of Wealth

HARRY LEE SMITH

KARL MARX, whose politico-economic doctrines rule the lives of more than a billion persons and profoundly influence the rest of the world today, deemed labor the source of all production and gave short shrift to such factors as capital and management. But we know now that Marx was wrong, that the plodding effort of labor alone consumes nearly all the wealth it produces, and that all significant creations of new wealth may be traced to the courage, vision, intelligence, and organizational skills of the entrepreneur.

From an economic point of view, an isolated individual is inefficient.

Mr. Smith is a businessman in California.

In a pastoral society, without tools and without trade, he barely wrests a living from the soil and is constantly at the mercy of the slightest change in weather or circumstances. Possibly a third of the world's people live this way today.

The miracle of a high standard of living comes through efficient economic interchange, which in turn depends upon organization and tools. Tools can only be financed through savings. However, savings have no economic value until they become capital, channeled into useful paths. When properly invested for appropriate combination with labor — for job opportunities — this capital creates new wealth. The free or voluntary organization required for this process is provided by human catalysts known as entrepreneurs. These enterprising and self-motivated individuals find fulfillment by creating financial institutions, starting industrial complexes, organizing commercial outlets, building transportation arteries, and providing other organizational essentials for a high level of human economic intercourse.

The basic resources used by an entrepreneur are manpower, materials, machinery, markets, money, and real estate. The proper combination of resources yields profit and wealth. Improper combinations result in waste and loss.

To cite a simple example, if a million dollar's worth of manpower is combined with a million dollar's worth of building materials to make a structure worth \$2,500,000 in the market, then wealth has been created. Were the building to be worth less than \$2,000,000, then assets would have been combined to destroy wealth. Thus, contrary to popular belief, wealth can be destroyed even while building.

### **Recombination of Resources**

The entrepreneur relies upon the value of economic resources as determined by the free market. His role is to so anticipate demand and to combine available resources in such a way as to maximize the spread between their costs and the market price of his product or service. The greater the spread, the greater the creation of wealth. This recombining productive process hurts no consumer or laborer or other owner of resources, since *it brings to the market more than is taken from it*. High profits, derived from efficient service to others, benefit the stockholder, the entrepreneur, and the economy in general while injuring no one.

Resource combinations which produce losses, however, are a net drain from the market. If anyone benefits from such combinations, it is at the expense of others. Free market values are the only "fair"

values, and high profits are a measure of good management and efficient service rather than greed. When wealth is created without coercion, it is not taken from any other owner; it is literally *created* and never existed before.

The successful entrepreneur is a genius as rare in his field as is the outstanding painter in the field of art, or the brilliant author in the field of letters. In addition to intelligence, the entrepreneur must have courage, persuasiveness, perseverance, perspicacity, self-reliance, and a "feel" for business. Pulled and driven by an inner force, as is a genius in any field, he is willing to work long and hard to accomplish his ends. Wealth, to him is a necessary business factor, a measuring stick, a reward for his efforts, but seldom his only goal. He continually seeks ever greater responsibility, and welcomes the pressure of strong competition in the business arena.

Professional jealousy is characteristic of artists, authors, actors, and all other specialists tainted by human nature. Their common denominator is a degree of participation in the economic field. Some wealth is necessary for survival. Consequently, jealousy of the successful creator of wealth is intense and pervasive, generally evidenced as a suspicion that vast wealth can only be created dishonestly or at

the expense of others. It is said that a little larceny lies in the hearts of most people and that the businessman is no exception. Indeed, a single act of larceny by one businessman casts suspicion upon *all* business dealings and leads to the conviction that the entire wealth-producing process requires political control. Few are the politicians who would deny it.

In a sense, the successful politician has much in common with the enterprising businessman. He too has courage, persuasiveness, intelligence, and a driving competitive spirit. However, he seldom possesses the ability to create wealth either for himself or for the numerous humanitarian projects which are his stock in trade. In his frustration, he advocates government-owned enterprises, with capital raised coercively through taxation. Such enterprises invariably suffer losses; yet, a clever politician will persuade his constituents that, far from interfering with the wealth-creating process, he is actually the balance wheel responsible for its success. Thus, he poses as protector of the public interest against the "abuses" of free enterprise. And when he crusades against profiteering, it is likely that neither he nor his constituency realizes that he is actually opposing economic efficiency and better living standards.

Many otherwise intelligent persons attribute their entrepreneurial failures to lack of capital. But successful entrepreneurs often start without capital. Financing involves fairly orthodox methods. More important to entrepreneurial success is the willingness to charge enthusiastically into the competitive arena alone and unaided. This can be such a frightening and frustrating experience that the first failure, or thought of it, will drive most men to the shelter of steady employment or academic tenure. The entrepreneur must be made of sturdier stuff.

#### *Private versus Governmental*

The political doctrine is false that the self-activated and self-responsible entrepreneur can be replaced in part or in whole by the state. Government attempts to compete in the business field invariably lose money and destroy part of the wealth already created. This is measured in the United States by the billions of dollars voted yearly in Congress to cover governmental losses in such fields as real estate, finance, insurance, utilities, agriculture, and industry.

The entrepreneur starts with nothing but an idea. "If you can dream it, you can do it," is his motto. Like the struggling artist, he works in a field where enthusiasm and dogged determination

play a greater role than formal education. He enlists capital through his persuasive powers, draws upon other economic resources, adds such spiritual qualities as faith and fortitude and self-reliance, and perseveres until successful. This sort of effort produces the greatest return on investment — as well as the greatest risk of loss. The mortality rate is high for new business ventures and new products.

From the date of its birth, the tendency of a given enterprise is toward ever greater conservatism. The security of success attracts additional capital, but from more cautious investors. The dynamic leadership of the original entrepreneur gives way to professional management. The spark of creativity diminishes into the nine-to-five effort of the paid executive and profits tend toward standard for the industry. Thus do entrepreneurial dreams mature.

What, then, shall be said of government-run enterprise? Here, funds taxed from those powerless to resist are devoted to purposes for which customers have shown an unwillingness to pay, under management motivated by tenure in the Civil Service. Lacking is the lure of profit or fear of loss which make for efficiency rather than waste; nor is managerial performance held up to public scrutiny as in the stock exchange. Converting

scarce resources to the service of unwilling customers is a thankless and unprofitable venture, characteristic of governmental enterprise. It consumes rather than creates wealth.

New wealth created by entrepreneurial effort is the result of economic efficiency. It benefits society in general by providing new enterprise, new services, new products, new employment, new tools, and further capital formation. Such wealth belongs to its creator and those who backed him with risk capital.

Failure to understand the nature, the source, and the purpose of wealth results in attempts to redistribute it through graduated taxation and other devices. But the taking of wealth without the consent of the creator or rightful owner is wasteful and destructive and harmful to society.

Those unwilling to stand the strain of hard work, risk, self-responsibility, and universal envy should not aspire to the creation and management of wealth. Their greater happiness is to be found in some other less strenuous role in the economic order. They may be thankful for the high standard of living afforded by new wealth in a free economy, and watch with admiration and appreciation the bold adventures of the entrepreneurial spirit. ♦

# Economic Development of Emerging Nations



EDWARD P. COLESON

Dr. Coleson is Professor of Economics at Spring Arbor College in Michigan. This article, drawn in part from his personal experiences in West Africa, is from a lecture by Dr. Coleson at Northwood Institute, Midland, Michigan.

THE PLIGHT of the peoples of the underdeveloped countries of the world, long a chronic problem, is rapidly approaching a state of crisis. India is in the grip of another famine, said to be the worst in the last century. According to a recent estimate, 96 million Indians may starve this year, a number equal to almost half the total U.S. population.<sup>1</sup> Obviously, no one can really know how many people die in the villages of India, China, Africa, or some other backward area because of malnutrition and actual starvation. In any case, there are more than enough perishing thus.

Certainly, widespread hunger is potential dynamite in a world which is already politically unstable. Napoleon once called China a sleeping giant and suggested further that they be allowed to sleep on. Perhaps it would have been better for us if they had, but it is too late now to suggest such a solution to our problems. Furthermore, we must remember that times have changed; it is no longer possible for a handful of Europeans with superior weapons to defeat a multitude of "natives" fighting with sticks and stones. Today, the natives contrive to have very nearly as good weapons as anyone else; and if they have

<sup>1</sup> Nancy Hardesty, "India's Famine," *Eternity* (January, 1967), p. 16.

more enthusiasm for "dying for the cause" than the rest of us, their very numbers may make them a formidable threat. In any case, we are "involved in mankind" whether we want to be or not; our own safety may require attention to other people's problems, even if we cannot think of any more humanitarian reasons for our global concerns.

### ***The Need for Definite Answers***

Yes, Americans can hardly be accused of being indifferent to human need. Since World War II we have showered the world, backward or otherwise, with more than \$150 billion of foreign aid, and we are continually being reminded that this isn't enough. Actually, it has been too much of such as it is but not nearly enough to do the job.

Many loyal Americans are clamoring that we ought to close out the global give-away, lest it bankrupt us. With greater domestic debts than all our international beneficiaries combined, any rational person might well question the wisdom of giving away what we simply don't have. However, terminating foreign aid would make little difference with our own solvency and would be branded as an utterly heartless thing to do in a starving world. What those who object to our un-

sound practices ought to do is devise a better program, one which would accomplish vastly more, would avoid graft and corruption, would not pauperize the recipients, and would pay its way in the bargain.

Utopian, you say, but it has been done and it worked well for years. What I am describing is simply the international investment program of Britain in the latter part of the last century. To call it a "program" is somewhat misleading, however, because for the most part it was simply a case of English businessmen investing their own money in what they hoped would be profitable ventures around the world.

### ***Britain's Free Trade Era Proved Marx Wrong***

Britain's economic policy got the world out of a tight spot a hundred years ago. At the beginning of the nineteenth century Malthus saw nothing in the future but overpopulation and short rations, with famine, pestilence, and war keeping human numbers within tolerable limits. Britain's dramatic shift to a policy of free trade a little more than a century ago did much to encourage economic development throughout the world and made Malthus' gloomy predictions seem quite unrealistic by 1900. They had a population

explosion back then also, but with a multitude of people around the world producing all they could with improved tools in a world of relatively open markets, living standards rose faster than human numbers. It should be noted also that Europe enjoyed comparative peace, at least the absence of great wars, from 1815 to 1914, which may be more than coincidental.

Free enterprise with open markets has been overlooked as a means of promoting economic development in a context of peace and friendly cooperation even by those who presumably believe in personal freedom. Marx's claim that capitalism leads to war and almost universal destitution does not stand close inspection, although the doctrine is widely believed. Prosperity and general well-being are fringe benefits of freedom, although I, with Patrick Henry, would choose liberty if there were no material advantages in so doing. Furthermore, the blessings of political and economic freedom have also been available to the so-called backward nations on the same terms as to everyone else. While human numbers cannot continue to rise without limit, much that is blamed on overpopulation in today's world is the result of unwise and restrictive economic policies.

### ***Neglected Aspects of the Population Problem***

Americans panic at the thought of the population explosion, which many of my fellow countrymen regard a greater threat than the bomb. We are endlessly preoccupied with the problem and view the "teeming millions of Asia" with a mixture of pity and fear. We overlook the fact that Switzerland has almost the same population density per square mile as India, and Western Germany has about twice as many per unit of area. Yet no one moans over the "teeming millions" of Western Europe where countries like Belgium, Holland, and England also have two or three times India's population per square mile. While India has its limitations, surely Switzerland's handicaps are as great.

Certainly excessive population has been much overworked as an explanation for India's woes. Unfortunately, also, our attempts to rescue India seem only to have aggravated the situation. Our foreign aid, given to feed starving orphans and keep the country from going communist, is, according to Sudha R. Shenoy of India,

"... one major cause why orphans . . . are starving and why India is now so firmly set down the road to serfdom. This is because in India foreign aid provides the major por-

tion of finance for the Plans . . . (but) the Indian people are hungrier after three Plans than they were before."<sup>2</sup>

In a different sort of world India's "teeming millions" could be an asset. If the nations of the world played the game fairly, if governments were stable and refrained from imposing endless economic restrictions, if international trade were unhampered, if ordinary people were diligent and responsible, then men with investment capital would flock to India or any such backward country and development would be as spectacular as Germany's "economic miracle" after World War II under much less favorable circumstances. But, as Sir Winston Churchill commented in another context, "The terrible if's accumulate." In reality India's economy is snarled in red tape, her people are hungry and getting hungrier. Tragically, the situation will no doubt get worse before it gets better.

### ***The Roots of Backwardness***

While the failure of the Monsoon rains of India would lead to grave problems, just as our "Dust Bowl" of the 1930's seriously disrupted life in the stricken area, still the so-called backward areas

of the world have built-in limitations that keep their populations perpetually on the brink of starvation where any crop failure must lead to disaster. Europe used to have them, too, the last serious one outside the Soviet Union being the catastrophic Irish Potato Famine of 1846. To a peasant people with no reserves, any natural calamity such as a drought, too much rain, or an early frost must lead to a winter of want, if not actual starvation.

With us it is now different. We have all heard farmers remark in the last generation or two that a killing frost, for instance, has its bright side since the price would be better for whatever crops did survive. Even the disastrous dust storms of the Depression years did not lead to widespread famine with hordes of people dying by the roadside in Kansas or Oklahoma as they do in India or China. I doubt if very many people starved in America back then, even with total crop failure in the midst of the world's greatest depression. I know some people were malnourished then, and I didn't have to read this out of a book.

But this was exceptional with us — life at its worst. Out in West Africa a "hungry season" is a normal and regular feature of the yearly cycle just as tulip time in the spring or falling leaves in

<sup>2</sup> Sudha R. Shenoy, "The Coming Serfdom in India" *THE FREEMAN* (December, 1966), p. 39.

autumn are familiar signs of the times with us. The hungry season comes after the crops are planted when the remaining rice or corn gives out weeks before the new harvest. Then the chronic problem of hunger becomes acute and famine makes its annual visit to the village.

### ***Wrong First Impressions***

Now it would be easy for us, particularly those of us with a farm background, to quickly diagnose their difficulties if we were there and could walk out from the villages to the little patches of cultivation which are their farms. We would no doubt see in the short-handled West African hoe the source of the problem of inadequate yields, and we would prescribe massive doses of mechanization to get the people producing enough so that there would be abundance for all throughout the year with a surplus for market and export. We would be sure that tractors and power tools would quickly solve the problem of native nutrition.

But if we stayed around long enough to get acquainted, we would find that the people could probably grow enough with the tools and crops they now have to tide them over the annual hungry season, if they would just try a little harder. Ask the average vil-

lager why he doesn't plant a little more rice and he will answer that it isn't any use. You will then learn that the native social system makes accumulation impossible; if his relatives learn that he has a little surplus when the hungry season comes, they will pay him a friendly visit and it will be gone within a week. They will then go hungry together.

Since there is no use to try, few do; but this results in hopeless stagnation. This is usually blamed on the warm climate; but the natives of Alaska react in the same fashion for the same reason, although the cooler climate and the certainty of winter storms should promote diligence and frugality. Yet the natives of the northland in this invigorating environment won't even cut a little piece of wood ahead, because they know they'll have to "lend" it to the neighbors before they get around to burning it themselves. Therefore, there's no surplus and no progress. This backwardness we have long blamed on the climate. It is climate—the social climate.

As a further deterrent, should some handy soul still try to get ahead, the native legal code forbids progress. In West Africa, at least, prosperity is associated in the native mind with magic. To them anyone who gives evidence of doing a little better financially

than his neighbor must have the charm that insures success, a powerful "medicine" which benefits him but harms his neighbors accordingly. As soon as some calamity befalls them, they make a scapegoat of their prosperous neighbor. They prosecute him in the chief's court and continue action against him until he is reduced to the same dead level of poverty with everyone else. They cannot imagine that anyone can get ahead except by harming his fellows, so they try to see that this never happens. Most of the time they succeed, which keeps the country hopelessly backward.

Thus, most of the world has stagnated throughout recorded history with here and there a remarkable period of progress, the exception to the rule. Here in the West we have been part of one of those dramatic eras, the much maligned Industrial Revolution. All of us are immeasurably better off because of the diligence, thrift, and ingenuity of our fathers. It remains to be seen if we can continue what they started.

### ***"Ideas Have Consequences"***

It is hard for us to imagine the depths of poverty which are commonplace in the villages of West Africa and throughout too much of the world. We visit a native hut and find it almost utterly bare

of furnishings. An iron pot set on three stones is the kitchen and the meal is eaten directly from it without dishes or silverware. The wardrobe may be a single garment which serves both day and night.

The poverty of West Africa as I knew it, is not the consequence of some horrible landlord system as it may be elsewhere. There is so little in Sierra Leone because they produce so little. The soil is wretchedly poor as it is throughout much of the tropical world, the hills are seriously eroded, most of the forest cover has been degraded into worthless second-growth brush, farming techniques are utterly primitive, yields are pitifully small, and hence famines come often.

The natives are full of parasites which sap most of their energy and the social system discourages effort. Native crafts are primitive and unproductive. My next door neighbor in one of the villages was a weaver who wove a band of cloth about six inches wide on his crude loom. His cloth was expensive even by our standards although he earned only a pittance, like everyone else in the village.

Nor is there a simple Marxian solution to their problem. Perhaps things were not properly divided in their society—the chief of the village had 80 wives—but redistributing the wealth, except the

wives, would be pointless. By our standards there is nothing to divide.

What they clearly need in West Africa and around the world is increased productivity, and this means better tools and techniques. But first there must be a change in people's thinking to make this possible. Marx claimed that tools came first and new thought patterns grew up to conform to the improved means of production. Actually, a wee bit of freedom made the new equipment possible in the first place.

Watt had his opportunity which developed into a practical steam engine only because the University of Glasgow took him in after the city fathers refused to let him set up shop within their jurisdiction. The sewing machine was invented in France but passed out of use when eighty machines were destroyed by an angry mob. It was invented again like many other devices, in this case over here with no other advantage than the freedom to do it and perfect it to the point that the machine became practical. In England Arkwright's textile mills were burned and a less persistent and courageous man would have given up the struggle. With all the engineering problems involved, the greatest hurdle was still finding the opportunity to make the in-

vention and bring it into production.

Marx was clearly wrong: in the beginning was the thought—the conviction that freedom was possible and desirable. New tools and industrial techniques were but the by-products of the new outlook. In all fairness it should be allowed that improved means of production had an impact upon man himself. Sir Winston Churchill is said to have remarked that we shape our buildings and then they shape us. Churchill's assertion is sounder social theory than the crude determinism of Marx and others who make man a victim of his environment, economic, social, or geographic. We are still the masters of our destiny, even in this age of automation and the bomb.

### **What We Can Do**

It might appear from my description of the West African social order that nothing can be done for the people. Actually, of course, there has been progress there in spite of handicaps and limitations, and change is the order of the day. As a first step we need to recognize what we can do to help them move forward and what they must do themselves—because we have no right to impose our ideas, however right, upon them. I would not go

to India with a deer rifle and start shooting sacred cows, although I happen to think that India will not get very far with a solution to her problems until they develop a rational policy on keeping livestock. I would be quite within my right in trying to enlighten the Hindus so they would eventually make such changes themselves. One of the most pressing needs of these poverty-stricken countries is something which would cost nothing but would pay real dividends.

My brother, who spent several years in India and West Africa as a missionary, believes that the most serious economic handicap of these backward areas is the utter lack of elementary honesty among the people. They are poor because they are thieves, not the reverse. This appalling plague of graft and corruption permeates every aspect of life from government and business down to petty personal relationships. Bars are standard equipment on the windows of homes out there and a night watchman is a necessity for even a private dwelling. The problem of trying to hang on to one's own possessions becomes insurmountable. Certainly they will never make real progress until they learn to respect other people's property rights. This is a necessary and possible change.

It is fashionable today for anthropologists and sociologists to speak disparagingly of the accomplishments of missionaries, but they have made a very real contribution. Charles Darwin who knew conditions in the South Sea Islands exceedingly well speaks highly of the change brought about by their effort:

They [critics] expect the missionaries to effect that which the Apostles themselves failed to do. Inasmuch as the condition of the people falls short of this high standard, blame is attached to the missionary. . . . They forget, or will not remember, that human sacrifices, . . . infanticide, . . . [and] bloody wars . . . have been abolished; and that dishonesty, intemperance, and licentiousness have been greatly reduced by the introduction of Christianity. In a voyager to forget these things is base ingratitude; for should he chance to be at the point of shipwreck on some unknown coast, he will most devoutly pray that the lesson of the missionary may have extended thus far.<sup>3</sup>

### ***The Importance of Character***

There is a closer connection between character and progress than we realize. It is commonly assumed that capitalists invented greed but Max Weber points out

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<sup>3</sup> Charles Darwin, *Voyage of the Beagle* (Harvard Classics, Vol. 29), pp. 437-438.

that it is precisely in those countries which are most backward from a capitalist point of view that the "universal reign of absolute unscrupulousness in the pursuit of selfish interests" is most highly developed — where one finds it almost impossible to hang on to his property because thieves and rogues work overtime trying to wrest it from its rightful owner.<sup>4</sup> As Weber tells us, the willingness to respect the rights of others, to play the game fairly as one might say, is a necessary condition for economic development.

Weber also stresses the fact that Luther and Calvin preached the dignity of labor, the responsibility of the worker to do his best as unto God. In all the backward areas of the world today work is contemptible, something to be done by slaves who cannot get out of it. This attitude toward labor must change before any very real progress is possible. And it seems to me that work is going out of fashion here, too. Evidently we need a revival of the Puritan virtues of honesty, diligence, frugality, and responsibility as part of a renaissance in our own nation also. Then we could offer the sort of leadership other nations might like to follow.

<sup>4</sup> Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, pp. 58 and 108.

### **Today's "Complex Problems" and Reality**

Actually, those staggering problems we moan about continually are mostly symptoms of a larger disorder. Let us examine a few of the conspicuous ones. Our much-publicized Malthusian dilemma, the population explosion, is a case in point. According to L. Dudley Stamp, perhaps the world's foremost geographer, the world could easily support 10 billion people or three times the present total.<sup>5</sup> He is assuming full production and open markets, but no revolutionary techniques yet untried and unproven — just doing as well as we already know or can know.

Adequate nutrition means increased human energy, which could result in higher productivity to provide a decent standard of living for the human family. Improved nutrition also means better health. While the tropical lands have some special problems which are uniquely theirs, the health hazards of the tropics have been exaggerated, too. Adam Smith remarked in *The Wealth of Nations* that it was "not uncommon . . . in the Highlands of Scotland for a mother who has borne twenty children not to have two alive." Nor were mortality figures more moderate here in earlier times. We

<sup>5</sup> L. Dudley Stamp, *Land for Tomorrow*, p. 219.

have all heard of the appalling losses from fever that frustrated the attempts to build the Panama Canal. We do not know that the builders of the Erie-Wabash Canal through northern Indiana lost a laborer for every six feet of canal dug.<sup>6</sup> We have also forgotten that Michigan was notorious for malaria in the early days as this pioneer rhyme reminds us:

Don't go to Michigan, that land of  
ills;  
The word means ague, fever and  
chills.<sup>7</sup>

Michigan also shares the misfortune with most tropical lands of having much poor soil. Contrary to popular opinion in America, tropical soils are usually infertile. This makes problems. But other lands have triumphed over this limitation. The Scandinavian countries have done very well indeed in spite of their poor, sandy soils. Perhaps the leading authority on the tropics, Pierre Gourou, has urged that the Africans and others could solve their problems by growing tree crops on the eroded hillsides and rice in the largely unused paddy lands

<sup>6</sup> DeWitt Goodrich and Charles Tuttle, *An Illustrated History of the State of Indiana*, p. 209.

<sup>7</sup> Madge E. Pickard and R. Carlyle Buley, *The Midwest Pioneer: His Ills, Cures and Doctors*, p. 13.

along the streams.<sup>8</sup> With such a rational program of land use, Africa would be well able to support its population for some while.

It would be possible to go on with constructive suggestions, based not on utopian optimism but on what has been proven in practice. Today's global crisis is but the bankruptcy of unwise policies we have been pursuing too long. But it is not enough to loudly criticize unsound practices such as foreign aid and the farm program. Men of good will have the responsibility of knowing what else we might have done, of being aware of constructive alternatives.

### **Testimony to Freedom**

One of the greatest sources of inspiration as well as information for the serious student is the economic history of Great Britain in the latter half of the nineteenth century, the golden age of free enterprise and open markets. And, strangely, unusual people bear testimony to the accomplishments of this great era. Lord Keynes, the British godfather of the New Deal of the 1930's, described this period in even more glowing terms than I would.<sup>9</sup> He tells us that in this

<sup>8</sup> Pierre Gourou, *The Tropical World*, pp. 100-103 and 134-141.

<sup>9</sup> John Maynard Keynes, *The Economic Consequences of the Peace*, pp. 7-10.

"economic Eldorado, in this economic Utopia" men forgot about Malthus and population problems in a world of full production and open markets. Keynes makes interesting reading. Poles apart from him is Benjamin M. Anderson, an American economist who has covered the history of the first half of this century in great detail. He introduces his excellent *Economics and the Public Welfare* with high praise for the pre-World War I era so eloquently lauded by Lord Keynes. This is how a conservative characterizes the same period:

There was a sense of security then which has never since existed. Progress was generally taken for granted . . . decade after decade had seen increasing political freedom. . . . It was an era of good faith. Men believed in promises . . . the good faith of governments and central banks was taken for granted. Governments and central banks were not always able to keep their promises, but when this happened they were ashamed. . . . No country took pride in debasing its currency as a clever financial expedient.

The world was incredibly shocked in 1914 when Bethmann-Hollweg, Chancellor of Germany, characterized the treaty guaranteeing the neutrality of Belgium as a "scrap of paper." In retrospect, one may say that this was one of the most terrible things that has ever been said. The

world is full of scraps of paper. . . . The greatest and most important task of the next few decades must be to rebuild the shattered fabric of national and international good faith. Men and nations must learn to trust one another. . . . There is no certainty that we can recreate the fabric of good faith which we have destroyed, but there is no higher duty than to make the effort.<sup>10</sup>

### **Prospects for Improvement**

While there is no certainty of success, it seems to me that conditions are more favorable for a renaissance of right thinking and sound policy than they have been for many a year. Hegel insisted that a situation generates its opposite, the familiar "swing of the pendulum," and it seems to me that this is true in general, although Hegel and his disciples sometimes carried his theory to absurd lengths. Nevertheless, the world is due for a change. As Newton would say, "to every action there is an opposite and equal reaction." Even the best and most constructive movements lose their charm and go out of fashion. "There is a tide in the affairs of men" and "the old order changes, yielding place to new," as the poets say.

<sup>10</sup> Benjamin McAlester Anderson, *Economics and the Public Welfare* (Princeton, N. J.: D. Van Nostrand, 1949), pp. 3-5.

This gospel of Salvation according to Marx has promised much but has delivered little except starvation and oppression. A good many people who will never read Hayek's *Road to Serfdom* have known the terror firsthand or have seen people shot while trying to escape from the proletarian paradise. The world has been learning its economic and political theory the hard way. Not all is well in our welfare state either. In 1946 Keynes himself voiced disillusionment with the "new economics" he had helped to create in the depression years only a decade earlier: ". . . how much modernist stuff, gone wrong and turned sour and silly, is circulating in our system. . . ." <sup>11</sup>

It would be interesting to

know what Lord Keynes would say today, had he lived. But a good many people who have not yet heard of Keynes and have no idea how this attempt to maintain perpetual prosperity is supposed to operate are becoming increasingly aware that something is wrong somewhere. This failure of the managed economy on both sides of the Curtain gives us an opportunity we have not had for a long, long time. But this opportunity brings us the responsibility of being able to present a constructive alternative. May I recommend what Adam Smith called ". . . the obvious and simple system of natural liberty. . . ." <sup>12</sup> for in a context of freedom, progress would again be possible around the world. ◆

<sup>11</sup> J. M. Keynes, "The Balance of Payments of the United States," *Economic Journal* (June 1946), p. 186.

<sup>12</sup> Adam Smith, *The Wealth of Nations*, (Modern Library edition), p. 651.

#### IDEAS ON LIBERTY

### *Dangerous Experimentation*

ONLY IF we understand why and how certain kinds of economic controls tend to paralyze the driving forces of a free society, and which kinds of measures are particularly dangerous in this respect, can we hope that social experimentation will not lead us into situations none of us want.

F. A. HAYEK

From the Foreword to the 1957 edition of *The Road of Serfdom*

# VOICES BEHIND YOU

RANDALL E. BURCHETT

TWO AND A HALF centuries ago a very wise old prophet spoke these words: "Your ears shall hear a word behind you saying: This is the way, walk in it." The adjuration is like a flawless diamond with rays of truth flashing out in many directions to invite serious thought.

As any and every individual attains a new milestone in life, he can be aware that he is seeing the dawning of a new day that is his very own, and he may realize, though dimly, that behind him there have been many voices which have spoken to him. The words he has heard most clearly were given that clarity, of course, by his own attitudes; and the results are his own inescapable responsibility. Some of those words or voices

would help him and some would hinder, but all have influenced him to some degree.

At each milestone of one's life, as at the time of a student's graduation, it behooves him to pause and listen. The graduate is perhaps most aware of the voices of his recent instructors. The work and effort and training of these teachers have crystallized into words which were intended to assist each student as he moved onward to walk in the path he chose for his future. In the days ahead he will remember the collective voice of those instructors as they said to him, in effect: "This is the way, walk in it."

He reaches a further stage in that great adventure known as Life, and he consults those who are experienced in science or agri-

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culture or other fields of endeavor. Axioms related to the field of his inquiry will be suggested; and as he goes on he will remember those voices he must leave behind.

Among the voices will be that of the family physician who pointed out the way of a healthy body and mind and said to him: "This is the way, walk in it."

The voice of his rabbi, priest, or minister emphasized to him the importance of belief in the Divine Creator and, without equivocation, that voice spoke clearly: "This is the way, walk in it."

Again and again the voices of his parents gently but firmly said to him: "This is the way, walk in it," and patiently directed the way his feet should go.

Nor should one forget or neglect the voices of the ancients who spoke so eloquently concerning many facets of life. New experiences are ahead, and one's feet must walk in unfamiliar paths. There will be new joys, unexpected problems, perhaps sudden tears, best met in the light of wisdom from the voices of the past.

Brevity need be no barrier to the might and power of true wisdom. The brief instruction, "Know thyself," is variously ascribed to Socrates, Plato, and others; but its value lies in its intrinsic worth and the rigorous mental discipline

required of anyone attempting the task.

A young girl volunteered to sit through the night with a friend who was seriously ill. She had no duties except to report if any unfavorable change should occur in the patient. Through the long hours the girl undertook to analyze herself, frankly and sincerely reviewed her life, and determined that a new day should and would dawn for her. She made a beginning toward knowing herself.

So should we all, in our busy lives, take stock of ourselves and also try to partake of the richness of bequests from the past:

Thought is the property of him who can entertain it, and of him who can adequately place it. EMERSON

It is by presence of mind in untried emergencies that the native metal of a man is tested. LOWELL

You cannot run away from a weakness; you must some time fight it out or perish; and if that be so, why not *now*, and where you stand? STEVENSON

Why live a shallow life when unfathomed depths are possible to us? Why suffer restricted vision if capable of looking to far horizons? Why accept the degradation of servitude when the heights of freedom are to be climbed? Why

bear drab existence when the heart so easily can be rich with melody and the soul filled in appreciation of the beautiful?

Even now a new day is before each of us, measured by neither hours nor miles. It is our day. Individually we face the question: What will I do with this my own new day?

As *you* stand in the dawning of a new day, many voices call for your attention. Some come from out of the past, while others are yet beyond you. There is the voice of shallow gaiety, and you hear the voice of accomplishment — and others.

But, listen!

Another call is coming to you.

This voice does not ring with the sound of festivity nor is it the roar of merited acclaim. It

seems that this voice must be muted because so few ever answer, despite its air of pathos and urgency. This voice sounds of suffering, hardship, heartache, and poverty.

Suffering and hardship can lead to enlightenment, build strength of character, and disclose unrealized abilities. And even those who have known little but sunshine may be privileged to share some of those "treasures of darkness" if they will listen and respond selflessly to that soft, plaintive appeal.

Such a call comes rarely to some, while others hear it with an intensity and a dedicated response that is forever. Only the unworthy will wholly refuse to hear and heed when from beseeching hands and broken hearts comes the whisper: "This is the way, walk in it." ♦

### Reprints Available of Recent Articles

|                                         |                          |     |
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# Paradise Regained

SOME DAY a history of the world will be written in terms of islands. Where the continental masses spawn dictators and socialist repressions, the story of the islands is spangled with recurrent adventures in freedom. Historically it was Britain which led the procession, with its economists (Smith, Ricardo), its free trade politicians (Cobden and Bright), and all those merchant adventurers who picked up an empire without quite realizing they were doing it. In modern times Hong Kong shows what can be done in freedom; so, to a lesser extent, does Formosa. The trouble, as Leonard Read has said, is that islands in prosperity are tempted to go "the way of all flesh," relapsing into protectionist and "control" philosophies, and even into insanity, as in the case of Cuba. But they can put on grand shows while the impulse lasts.

The Bahama Islands, off the southeastern coast of Florida, have recently been putting on a particu-

larly dazzling display of the development that can result when the freedom principles are followed. Snatches of the story are told in a remarkable publication called *Bahamas Handbook: 1966-1967* (Nassau, Bahamas, Etienne Dupuch Jr. Publications, \$4.95), which is a blend of ancient island history and fascinating modern journalism. You won't find much here about the shady side of Bahaman development, such as the alleged U.S. mobster penetration of casino gambling in Freeport, a completely new city on the island of Grand Bahama just a few miles across the water from Palm Beach. But this story has been twisted out of proportion in lurid magazine accounts, so the handbook's failure to go into it redresses the balance. The point is that when people can work with 100-cent, tax-free dollars instead of 50-cent-net-after-tax dollars, the good things greatly outnumber the bad. There is no income tax in the Bahamas, and no capital gains tax,

and foreign investors can still get breaks there even though their home internal revenue services in the U.S. and elsewhere are exhibiting more and more ingenuity in pursuing the fleeing enterpriser.

What impresses the reader of the *Bahamas Handbook* is the sheer joy of creation that is released when energy is uninhibited by the tax collector. Tycoons have been doing things in the Bahamas that they might very well have preferred to do in Florida, or Texas, or New Mexico, if the investment climate on the American mainland were all that it once was. Just ticking off the Bahama development stories should prove that capitalism, even as Don Marquis' cat, Mehitabel, has a dance in the old dame yet.

### **A City of Enterprise**

The big story in the book revolves around the island of Grand Bahama and the building, by Wallace Groves of Virginia, of the new city of Freeport-Lucaya. Mr. Groves may have been shortsighted when he let professional managers in to run his gambling casinos, for some shady characters who had worked the tables in pre-Castro Havana turned up as members of the crews. But if Groves has made mistakes, they can be corrected by the commission that is looking into the gambling situation, presum-

ably with an eye to throwing any Mafia-connected gentry out. Meanwhile the solid achievements of Mr. Groves will stand any amount of inspection.

An acerbic critic said that the Groves group had "only" to promise a deep harbor and some solid industries in order to get 50,000 acres of Crown Lands at \$2.80 an acre. The use of the word "only" is a tip-off to what Ludwig von Mises has called the "anti-capitalistic mentality." Nobody thought Grand Bahama Island was worth anything until Wallace Groves began inspecting its pine scrub wastes for lumber possibilities. He saw a lot more than lumber in the island, but to get land cheap he had to come up with a plan that included more than golf and casinos for prospective tourists.

After signing the so-called Hawksbill Creek agreement with the Bahama government in 1955, the Groves group spent five years on surveying, site planning, harbor dredging and construction, building roads, and so forth. It started a bunkering service for ships which, by 1961, had become the largest single installation of its kind in the Western Hemisphere. By 1965 more than 1,700 ships a year were taking on nearly 10 million barrels of fuel at the Freeport Bunkering Terminal. The refueling facilities at Free-

port vastly extend the reaches of world shipping. Freeport's harbor is expected to become the "Euro-poort" of the hemisphere—a transshipment point for major bulk shipments to the Carribean area, where 100 million people live.

### **Enter, Industry**

To carry out the promise of diversified industry for what had been a lazy tropical island, U.S. Steel was lured into creating for Freeport a mammoth cement company (4.8 million barrels a year). The cement company uses sand from the sea bottom, so its dredging operations are incidentally responsible for Freeport's harbor. Hard on the arrival of U.S. Steel's cement subsidiary, the Syntex Corporation chose Freeport for one of its big pharmaceutical plants. All this was to provide an offset to the Freeport tourist industry (300,000 a year by 1966). The profits made by Groves and the other developers of Grand Bahama Island were certainly legitimate rewards for good planning and hard work. The evils connected with casino gambling should pass once the investigation commission has finished its labors, but the community of Freeport-Lucaya will remain.

J. Louis Reynolds, the aluminum executive, is another American who has been lured by those

100-cent investment dollars to the Bahamas. On the island of Andros, the biggest in the Bahamas, the U.S. government has built its \$130 million Atlantic Undersea Testing and Evaluation Center, or AUTEK, close to the 6,000-foot-deep arm of the Atlantic known as the Tongue of the Ocean. Andros is where the sonar detection work that is necessary to repel Soviet submarines is being pushed. Reynolds owns a 4,000-acre island farm next door to AUTEK, where he specializes in cucumbers, one of the top three Bahama exports, for the Florida market. But what Reynolds is really interested in is farming the sea. He predicts great undersea farms of lobster, shrimp, crabs, turtles, and conch, and he hopes to be the first person to grow a great spiney lobster in captivity. Reynolds says he will make Andros "a model of free enterprise."

### **\$20 Million and Paradise**

Two young men, James Crosby and Jack Davis, happened to be making a good thing out of their Mary Carter Paint Company of Tampa, Florida. But expanding the paint business on the U.S. mainland is a high-tax business. Crosby and Davis decided to put \$20 million into Paradise Island, just opposite the Bahaman capital of Nassau. They will sell ex-

clusivity to the few (as Huntington Hartford, who sold them the Paradise tract, once planned). But they will also sell swimming in the cleanest water in the world to the thousands of tourists who pour off the cruise ships. The Paradise development, naturally, will leapfrog ahead on those 100-cent dollars.

### **The Future?**

Will the Bahama venture in free enterprise eventually go "the way of all flesh," with capital gains taxes and high income taxes creeping in to bring it to a halt as venturesome men like J. Louis Reynolds, James Crosby, and Jack Davis turn elsewhere? Just recently the islands' first "labor" (and Negro-dominated) government took over. Fortunately, Lynden Pindling, the

first Bahaman Negro prime minister, sees the connection between what Groves, Reynolds, Crosby, and Davis are doing and full employment for the 138,000 native Bahamans. The native population of 138,000, which is almost exactly equal to the population of New Haven, Connecticut, caters to 900,000 tourists a year where New Haven has only a few thousand Yale students coming in from outside. With 900,000 spenders descending upon you, there are other sources of government revenue which make income and capital gains taxes unnecessary. Since Lynden Pindling took the portfolio of "Tourism and Development" in his own cabinet, the chances are that he sees this. The golden goose is not yet ticketed for the abattoir. ◆

### **DEA. ON LIBERTY**

### ***A Better Approach***

IF INDIVIDUALS say that they want high-bracket income taxes reduced because it is unfair to have to pay such high rates — the common argument — nobody is convinced because so many lower income people think that those who pay 70 per cent are lucky to have the income to pay it on. But if, on the other hand, we declare our objective to be a new and greater prosperity and a higher standard of living for everyone, and then show by examples how certain tax rates — not exclusively income — hamper industrial development, reduce the incentives for expansion, and keep people who need them out of jobs, we make an argument that is at least acceptable to intelligent people.

HAROLD BRAYMAN, *Corporate Management in a World of Politics*

- ✓ Compulsory sharing of wealth for the benefit of consumers has the sorry effect of diminishing the capital and tools that provide employment opportunities ..... p. 323
- ✓ Dr. George Roche here reviews the history of the uses and abuses of political power, and in subsequent articles will examine some modern manifestations and their effects and look to the prospects for curbing these excesses ..... p. 326
- ✓ A low level of mediocrity is the best that can be expected, suggests Dr. Howard Kershner, from penalizing the successful ..... p. 340
- ✓ Henry Hazlitt points out that the imitators of capitalism are unlikely to secure its blessings until they understand and respect the property rights of owners ..... p. 342
- ✓ And that's just about what Leonard Read is saying we'll have to do if we ever hope to deliver mail in a business-like way ..... p. 350
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# SECURITY WITH A VENGEANCE

PAUL L. POIROT

SAFETY AND SECURITY rank high among human values, and rightly so. To risk one's life in reckless fashion shows a foolish disregard for self and dependents. Behavior that diminishes or threatens the lives of other peaceful persons is deemed irresponsible and anti-social. The case for various safety measures and security regulations would seem self-evident. But "playing safe" also may have disadvantages that ought to be considered. Lives can be wasted, if not snuffed out entirely, in the attempt to be safe and secure.

Safety and security alone will not sustain life. They may enhance food and shelter but afford no nourishment or covering as such. Nor are they tools of production that enable a worker to increase the product of his labor. Americans in the latter half of the twentieth century enjoy safety and security in large measure. But the high level of living to which we have grown accustomed

is largely attributable to two other factors: (1) Approximately half of the 200 million people in the United States work to earn a living for themselves and the other half; and (2) An average of roughly \$20,000 has been saved and invested in productive capital for each such job opportunity. Without such savings and capital investment per worker, famine would be as common in America as in any backward area. Our job opportunities — our very lives — depend upon our tools of production.

So, every additional \$20,000 saved and productively invested makes possible an acceptable level of living for two — one worker and one dependent. To take from a man the tools of his trade is to deprive two lives of their economic means of support. And it is a harsh fact that funds diverted to security programs cannot at the same time provide the tools of production and trade. Safety measures, however well-intended, have

costs that always must be counted.

Consider, for example, the proposed expansion of the Federal Social Security program to a tax of 10 per cent on the first \$10,800 of a worker's annual earnings. Now, \$1,080 saved per year and reasonably invested would build into a \$20,000 job opportunity in about 14 years. And \$1,080 added annually over a period of 40 years would cover 5 or 6 such lifetime job opportunities. Any savings bank or life insurance agent can verify that fact.

This is not to say that every worker *would* save and invest \$1,080 a year if he (and his employer) were not compelled to pay it as social security taxes. Many a worker doubtless would choose to consume rather than save any such addition to his take-home pay. But clearly, the money paid as taxes is neither saved nor invested in productive job opportunities. It is currently consumed. The \$20 billion transferred coercively from producers to consumers through the social security account in fiscal 1966 withdrew from the American economy potential investment funds equal to one million job opportunities. A million *lifetime* job opportunities precluded by just *one* year of compulsory social security! And 1967 is the 31st year of social security tax collection in the United States.

Another security measure of some import concerns the military defense of the United States of America. The total Defense Budget for fiscal 1968 calls for expenditure of \$73 billion. Whether such spending is adequate or practical or necessary or desirable is not in question here. But \$73 billion is equivalent to the capital requirement for 3,650,000 lifetime job opportunities. And please do not mistake that fact. It does not mean that defense spending in 1967-68 will create 3,650,000 lifetime job opportunities. What it means is that funds, *which might otherwise have been invested* in the tools of peaceful production and trade, *will be consumed* that year in the name of national defense.

More specifically, the Vietnam part of our national defense currently is costing American taxpayers at the rate of \$24 billion a year. Tragically, 6,400 American lives had been lost in Vietnam through 1966. And it is estimated that 5,000 more Americans will have been killed in action by the end of 1967, with more than 60,000 wounded.<sup>1</sup> Heartbreaking enough are the casualty lists of individuals killed or maimed on the battlefields. But their numbers scarcely

<sup>1</sup> *U. S. News and World Report*, January 2, 1967, p. 19. By late March, the figure had advanced to 175 killed weekly, 800 wounded.

begin to measure the costs of the Vietnam security action. The \$24 billion to be consumed for that purpose by the United States this year is equivalent to the capital investment for 1,200,000 lifetime job opportunities. That makes a civilian casualty list approximately forty times the number of Americans killed and wounded on the battlefield.

Highway and automobile safety programs are much in the news nowadays. The 50,000 deaths a year attributable to motor vehicle accidents in the United States many times exceed the number of Americans killed in Vietnam. But those who urge the expenditure of billions of dollars for various highway and auto safety features ought to understand that each billion so expended is equivalent to the capital requirement for 50,000 lifetime job opportunities. For every \$20,000 in extra safety features the law forces General Motors to add to perfectly good cars, that same law in effect withdraws one lifetime job opportunity from the American market.

The pollution of air and water is a growing threat to American lives. Recent estimates suggest that \$300 billion will be committed to that war over the next 30 years. And whether that will be too much, too little, or too late is anyone's guess. But it is reasonably

certain that the billions of dollars to be spent annually by businesses and by governments for air and water purification cannot simultaneously be used to provide tools for productive employment. Clean air to breathe and pure water to drink are important. But they are not food or shelter or all of the other things also vital to life. And \$300 billion equals the capital requirement for 15,000,000 lifetime job opportunities.

If we spend enough for such measures, perhaps we can be guaranteed a ripe old age, protected by medicare, defended against communism and automobiles, filled with fresh air and water, safe and secure. But will the productive workers of that happy day still deem the rest of us worth feeding and housing and caring for?

It behooves us to consider that other side of our various security measures. The lives we save by such measures may indeed be our own; but also, the lives saved may be more than offset by the numbers of workers and their dependents thereby denied the tools of peaceful production and trade. And our own job may be one of those at stake, jobs and lives foreshortened in the name of security. These, too, are among the fatalities of our time — the often unseen fatalities of good intentions and security with a vengeance. ♦

# POWER

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## 1. HISTORY

THE PROBLEM of power is as new as today's newspaper and as old as man's civilization. Most political thinkers and philosophers have concerned themselves with power's definition and management. Virtually all politicians and statesmen have concerned themselves with power's exercise. No man, past or present, has ever successfully evaded the long shadow which the exercise of power has cast over his life.

What is this phenomenon that leaves no man untouched, whether peasant or philosopher? If we turn to Western man's thinking on the subject for an analysis of his definitions and applications of power, a pattern emerges which offers some valuable guidelines

for our own age, a time when the shadow of power is perhaps darker and more all-pervasive than ever before.

### *The Greeks*

Man's ideas on the subject of power have evolved only gradually. Socrates felt that he owed obedience to the power of the Athenian city-state when it unjustly and hysterically sentenced him to death. His disciple, Plato, conceived a society in *The Republic* which placed all power over everyone in society in the keeping of a "philosopher-king." But when, then as now, "philosopher-kings" proved difficult to find, Plato began to limit the power which he felt should be exer-

cized by the state. He had written *The Republic* as a young man, producing *The Statesman* in middle life and *The Laws* in his old age. In each of these works, as his maturity and experience increased, he steadily multiplied the legal and moral restrictions which he felt should be placed on the power of the ruler.

Aristotle, Plato's disciple, carried this limitation of power still further, devising the idea of constitutionalism. The basis of this constitutional fabric as devised by Aristotle was "natural justice." This Aristotelian natural justice was intended as binding upon all men, ruler as well as ruled, and exhibiting a power beyond man's control.

Although the Greeks were exhibiting a recognition that the centralization of power had to be limited in a just society, they still tended to view the city-state and its exercise of power as the keystone of society. Aristotle's assertion that man was "by nature a political animal" was typical of the Greek view that the *polis* was the chief means through which human potentiality could be developed. For this reason, the Greek concept of the distinction between society and state was faulty and partial at best. The Greek system of direct democracy, when tied to the concept that the *polis* was the cen-

ter of human life, eventually produced the downfall of the Athenian experiment.

The people of Athens themselves became the tyrant, dominating and crushing any other power or opinion, stripping their economic dependencies of all wealth until revolt cost them their maritime holdings, interfering with their military commanders till they produced disaster on the battlefield, and displaying such greed that desperate property holders plotted the overthrow of the government. When such unbridled exercise of power produced a debacle, the tyrannical majority hysterically lashed out to find a scapegoat for their own folly. The execution of Socrates stands as the final crowning viciousness of unbridled Athenian democracy.

The Greek confusion between state and society had proven fatal to both. As the historian, Herodotus, sadly remarked "... even the best of men raised to such a position [of irresponsible power] would be bound to change for the worst." Western man was already beginning to get an inkling of the dark threat posed by too great a concentration of power.

#### **Natural Law**

The Greek idea of natural justice soon grew into Western man's next great discovery concerning

power and its limitation. The idea of a "natural justice," derived from man's proper use of his capacity for rational thought, became the basis for the idea of Natural Law, based upon the idea of a Supreme Lawgiver, a Lawgiver whose perfect intelligence was reflected in man's capacity for thought: God. Thus developed the Natural Law philosophy of the Stoics and Cicero. The idea of Natural Law, of a fixed code of right and wrong binding upon ruler and ruled alike, placed power in a new perspective, since it limited the exercise of power by placing God's will above man's will. References to this concept of Natural Law fill Roman philosophy. Probably no more influential advocate of the doctrine could be found than the Roman lawyer, Cicero, writing in *De Republica*:

Right reason is indeed a true law which is in accordance with nature, applies to all men, and is unchangeable and eternal. By its commands this law summons men to the performance of their duties; by its prohibition it restrains them from doing wrong. Its commands and prohibitions always influence good men, but are without effect upon the bad. To invalidate this law by human legislation is never morally right, nor is it permissible ever to restrict its operation, and to annul it wholly is impossible. Neither the senate nor the peo-

ple can absolve us from our obligation to obey this law . . . It will not lay down one rule at Rome and another at Athens, nor will it be one rule today and another tomorrow. But there will be one law, eternal and unchangeable, binding at all times upon all peoples; and there will be, as it were, one common master and ruler of men, namely God, who is the author of this law, its interpreter, and its sponsor. The man who will not obey it will abandon his better self, and, in denying the true nature of man, will thereby suffer the severest of penalties, though he has escaped all the other consequences which men call punishment.

The Romans were told, "Because you bear yourself as less than the gods, you rule the world." Thus, as the heyday of Roman prosperity and success illuminated the ancient world, the Romans came to understand that through obedience to a higher power they had achieved power. Had a Roman chosen to speculate upon this point, he might have marveled that Rome grew powerful and prosperous while it recognized a power above that of the state, declining only when the power of the state, personified in the emperor, came to be viewed as unlimited and even divine. In both its success and its ultimate failure, Rome added another dimension to man's understanding of power.

The Romans were told, "Because you bear yourself as less than the gods, you rule the world."

### **Christianity**

While the pagan world had been advancing in its understanding of power and its limitation, the Judeo-Christian heritage was also in process of formation. As the trials of the Hebrew nation as chronicled in the Old Testament had unfolded, certain patterns of thinking had emerged. Foremost among these was the doctrine of a higher law, centering on the principle that all political authorities were to be judged and limited in accordance with a code not relative to man and his affairs.

This was a doctrine implicit in Christianity from the beginning. The Church Fathers early recognized the perils of power, not only to the ruled, but to the ruler as well. In the words of St. Ambrose, "A wise man, though he be a slave, is at liberty, and from this it follows that though a fool rule, he is in slavery." The measure of wisdom or foolishness described here referred to man's capacity for understanding and living in conformity to a higher, God-given morality transcending the earthly exercise of power.

Unlike the Greeks, who had seen

the state as the central feature of society and a part of the "natural" order, the early Christians saw the state as an institution in and of the sinful world. While the state was needed to exercise power to protect men from other men in this flawed world, the Christian saw the state itself as a flawed, and therefore potentially dangerous, wielder of power. Christians in the early Church did not concern themselves over much with politics as such, so they developed no clear distinction between the legitimate and the illegitimate state. But they did make explicit what had already been implicit in the Roman Natural Law philosophy: God and not man was the final arbiter of justice, thus limiting *any* man's exercise of power.

### **St. Thomas Aquinas**

Greek "natural justice" thus merged with Roman and Christian Natural Law to emphasize that the state was man's tool rather than his master. As the centuries passed by, the Christian idea of self-transcendence, of man's ability to rise above himself and above

his society, became more and more explicit. At the height of the Middle Ages, St. Thomas Aquinas wrote, "The obligation of observing justice is indeed perpetual. But the determination of those things that are just, according to human or divine institution, must needs be different, according to the different states of mankind. . . . Laws are laid down for human acts dealing with singular and contingent matters which have infinite variations. To make a rule fit every case is impossible."

If circumstances altered cases, could the state justly exercise unlimited power over the individual? The Christian answer was a resounding "No!" Thomas insisted: "Man is not ordained to the body politic according to all that he is and has." The objection to totalitarian control developed by the Greeks and furthered in Stoic and Christian thought, was now made even stronger:

Here we have the first clear and explicit challenge to totalitarianism. Although by nature part of civil society, the individual person is not to be swallowed up whole in society or state. On the contrary, by virtue of certain aspects of his being — what Kierkegaard was later to call his "God-relationship" — man as such is elevated above political society and the social order. It is man's ordina-

tion to the divine that thus raises him above everything social and political that would totally engulf him. Who denies this, denies both God and man.<sup>1</sup>

### **Medieval Society**

While the philosophers and theologians were making more and more specific the moral limitations surrounding the exercise of power, medieval society as a whole was also making its contribution. After the Roman Empire had collapsed in the West, society had become highly decentralized in character and had fragmented power through the institution of feudalism. All attempts to discover a unity of power within society had been discarded, since ultimate authority was felt to rest only in God. Medieval society functioned largely through semi-autonomous religious orders and independent towns and cities.

What early forms of national governments existed in the Middle Ages found their purse strings tightly controlled by semirepresentative legislatures, especially in France, England, and Spain. In practice, these bodies, representative of the social strata of the times, exercised tremendous power because they could and occasionally did withhold all finan-

<sup>1</sup> Will Herberg, "Christian Faith and Totalitarian Rule," *Modern Age* (Winter 1966-67), p. 67.

cial support from centralized administration when they chose to do so. Power remained diffused over a widely decentralized fabric of public, semiprivate, and private institutions, all limited by a moral order above both man and the state, a moral order placing its premium upon individual conscience.

This is not to suggest that abuses of power still did not occur. The point is, rather, that medieval man had succeeded in setting up two barriers to the exercise of unlimited power: (1) The recognition that the exercise of excessive power was in itself an immoral act; and (2) The discovery in practice that power was more safely exercised when fragmented and decentralized through a variety of separate institutions.

### **Machiavelli**

With the Renaissance, a new view of politics, man, and power came on the scene. Machiavelli completely dismissed the idea of any superior power providing a moral order in political life. As Francis Bacon described Machiavelli's politics, the Renaissance Italian concerned himself with "what men do instead of what they ought to do." From the time of Plato and Aristotle through the time of St. Thomas Aquinas, the central question had been the legit-

imate purpose and exercise of power. Power, to the extent that it was to be used at all, was to be used only in the achievement of some higher end such as justice or freedom. But with Machiavelli, for the first time, power became an end in itself. Power was thus separated from any ethical or metaphysical limitation and the state became independent of any other value system.

It was never Machiavelli's intention to further immorality or encourage the destruction of values, but his *amorality* was based on the assumption that the acquisition of power was *an end unto itself*, having priority over ethical considerations. Once power becomes an end in itself, success in political affairs is measured by the acquisition and expansion of power, rather than by its wise use or moral limitation. In Lord Acton's phrase: "Machiavelli released government from the restraint of law. . . ."

Like other realists after him Machiavelli identifies all too readily naked power politics with the whole of political reality, and he thus fails to grasp that ideas and ideals, if properly mobilized, can become potent facts, even decisive weapons, in the struggle for political survival. History is a vast graveyard filled with the corpses of self-styled "realists" like Napoleon, William II, Hitler, and

Mussolini. They all underestimated the important imponderables in the equation of power but missed, in particular, the one component that in the end proved decisive: The will of man to be free, to put freedom above all other goods, even above life itself.<sup>2</sup>

Machiavelli and the Renaissance thus paved the way for the age of absolutism. The dynastic crime-waves which followed, during which despots ran roughshod over their subjects, over morality, and over their fellow despots in the unprincipled pursuit of power, are a demonstration of Machiavelli's system in action.

### **The Reformation**

Even while the long shadow of unprincipled and unlimited power was spreading across the continent in the age of absolutism, another turning point in individual freedom and conscience was about to arrive: The Protestant Reformation.

In the immediate aftermath of Martin Luther's decision to challenge the authority of the Catholic Church, it appeared doubtful that his act of disobedience would go unpunished. He was confronting a powerful and entrenched authority, an authority which seemed to exercise vast social and political

power. During this time, in the period before the German princes had provided a strong political base for Luther's position, he emphasized the necessity for tolerance of differing viewpoints, insisting that political power should not be used to suppress dissent.

The rise of other Protestant sects such as Anabaptism and the Zwinglian group, coupled with the Peasants' War in Germany, soon modified Luther's position. What had begun as a theory of the right of private judgment and dissent was quickly modified when he and the German princes supporting him became the revolted-against rather than the revolutionaries. The social revolution implicit in the Peasants' War in Germany caused Luther to alter his political philosophy almost entirely. Though he had begun his departure from the church in quest of liberty for individual judgment, he was not willing to grant that same privilege to others and was perfectly willing to sanction the use of political force to enforce his view. Many aspects of the Protestant Reformation and the Catholic Counter-Reformation demonstrate the side of human nature which complains of the exercise of power in the hands of others yet remains perfectly willing to exercise that power itself.

Thus the flood tide of the Ref-

<sup>2</sup> William Ebenstein, *Great Political Thinkers*, p. 285.

ormation, which at first glance appeared directed against the unlimited power of absolutism, was soon deflected from its original course. The alliance of the powers of church and state, true throughout most of Catholic Europe, soon became equally true throughout Protestant Germany. Thus Martin Luther was at once an insurgent against power and the defender of an existing power structure.

### **Zwingli and Calvin**

Though the Lutheran revolt did little to alter the fundamental centralization of power, only moving it from one base to another, some of the Swiss Protestants were more aggressive in combining their religious revolt with political revolt. The Swiss cantons were republican in their political sentiments, and this background tended to exercise a considerable measure of influence over both Zwingli and Calvin. Zwingli, for example, upheld the medieval doctrine that holders of political power who failed to conform to a higher law could and should be deposed. Unfortunately, Zwingli was killed too early to affect seriously the course of politics in the Protestant Reformation.

Although Calvin developed his ideas in the same Swiss republican atmosphere, he tended to make such a close connection be-

tween religion and politics that he desired a state with a means of punishing all forms of "mistaken" or "vicious" behavior. He viewed the medieval legal system as too permissive and set up in its place a theocracy in Geneva which united tremendous political and religious powers.

If Luther had done his political thinking in the framework of petty tyrannies which composed the Germany of his day, and Zwingli had reached maturity in the relatively free air of the Swiss cantons, Calvin allowed no such political side issues to influence his thought. Religious truth as he saw it was dominant and left no room for the interference of political niceties in the application of that "truth" to the pattern of society.

Though Calvin was responsible for the exercise and centralization of power, his concept of the dignity of the individual has outlasted the policy of religious persecution which he pursued during his own lifetime. While it is true that the leaders of the Protestant Reformation were not always outspoken opponents of the centralization of power, it is also true that the freedom of individual conscience which they encouraged would in the long run become a potent source of opposition to centralized power.

The Calvinistic doctrine of a flawed human nature also encouraged the limitation of power:

The vice or imperfection of man therefore renders it safer and more tolerable for the government to be in the hands of many, that they may afford each other mutual assistance and admonition and that, if anyone arrogate to himself more than is right, the others may act as censors and masters to restrain his ambition.<sup>3</sup>

### **Political Impact**

Actually, the influence of the Reformation had less direct political impact than is often supposed. In fact, the principal immediate effect of both the Protestant Reformation and the Catholic Counter-Reformation did more to further the increase of power than to control power:

Scotland was the only kingdom in which the Reformation triumphed over the resistance of the State; and Ireland was the only instance where it failed, in spite of government support. But in almost every other case, both the princes that spread their canvas to the gale and those that faced it, employed the zeal, the alarm, the passions it aroused as instruments for the increase of power. Nations eagerly invested their rulers with every prerogative needed to preserve their faith, and all the care to

keep Church and State asunder, and to prevent the confusion of their power, which had been the work of ages, was renounced in the intensity of the crisis. Atrocious deeds were done, in which religious passion was often the instrument, but policy was the motive.<sup>4</sup>

The story of the crimes committed by both Protestant and Catholic rulers in pursuit of political power is a long and unsavory tale in which religious faith was all too often made the handmaiden of political ambition. Protestant and Catholic alike may have preached a religious viewpoint, but the political viewpoint of Machiavelli seems to have had the last word.

As the nation-states, Protestant and Catholic alike, evolved toward their modern form, the men of the Reformation relearned the hard lesson which has perpetually confronted all men. In the words of Milton, a man active in both the religious and political disputations of his age: ". . . long continuance of Power may corrupt sincerest Men."

### **The Age of Absolutism**

Since the Renaissance had produced Machiavelli's theory of power unlimited by moral concerns and the Protestant Refor-

<sup>3</sup> John Calvin, *Institutes*, IV, p. 20.

<sup>4</sup> Lord Acton, *Essays on Freedom and Power*, pp. 94-95.

**Many of the greatest tyrants on the records of history have begun their reigns in the fairest manner. But the truth is, this unnatural power corrupts both the heart and the understanding.**

BURKE

mation and Catholic Counter-Reformation had provided the excuse for the actual application of these doctrines on the European political scene, the stage was set for the age of absolutism.

The medieval political framework was obviously dead or dying throughout Europe by the late sixteenth century. The regional and institutional pattern of cities and guilds and local controls retained its form but not its substance. A new unit of political authority was gradually gathering all power unto itself: the State. Such was the state of affairs when Bodin published his *Six Books of the Commonwealth* in 1576. In Bodin the new age of absolutism had found its theorist. Machiavelli had favored the accumulation and exercise of power for its own sake but had never developed his concept of power to include the state as a sovereign entity in its own right. Such a development awaited Bodin and the centralized, absolute French monarchy. Bodin utilized the old concept of the Natural Law, divorcing God and morality from it and substituting the state in their place. Thus

robbed of its legitimate meaning, Natural Law was perverted by Bodin into the bulwark of the new, absolute, sovereign State.

The rise of "Divine Right" and the absolute state, although beginning in France, was soon paralleled throughout Europe, even in the European nation most suspicious of power: England.

The Bourbons, who had snatched the crown from a rebellious democracy, the Stuarts, who had come in as usurpers, set up the doctrine that States are formed by the valour, the policy, and the appropriate marriages of the royal family; that the king is consequently anterior to the people, that he is its maker rather than its handiwork, and reigns independently of consent. Theology followed up divine right with passive obedience . . .

The clergy . . . were associated now with the interest of royalty . . . The absolute monarchy of France was built up in the two following centuries by twelve political cardinals. The kings of Spain obtained the same effect almost at a single stroke by reviving and appropriating to their own use the tribunal of the Inquisition, which had been growing obsolete, but now served to arm them with terrors which effectually made them

despotic. One generation beheld the change all over Europe, from the anarchy of the days of the Roses to the passionate submission, the gratified acquiescence in tyranny that marks the reign of Henry VIII and the kings of his time.<sup>5</sup>

Once in the seat of power, the age of absolutism became difficult to depose. Resistance to kings became a sin against religious faith. Worse yet, the political philosophers strongly supported this unholy union between religion and politics:

Bacon fixed his hopes of all human progress on the strong hand of kings. Descartes advised them to crush all those who might be able to resist their power. Hobbes taught that authority is always in the right. Pascal considered it absurd to reform laws, or to set up an ideal justice against actual force. Even Spinoza, who was a Republican and a Jew, assigned to the State the absolute control of religion.<sup>6</sup>

This entire generation of despots was epitomized in the reign of the "Sun-king," Louis XIV. In the France of that day the slightest disobedience to the royal will was a crime punishable by death. Even while the subjects were completely bound to the ruler, no reciprocal obligation of any kind was recognized. No guarantee of

property or person was considered defensible. The impact of such unlimited power upon the crowned heads of Europe was disastrous for the rulers as well as the ruled. Good intentions, ruling in the "interest" of the people, were much discussed and little practiced. Edmund Burke, writing his *Thoughts on the Causes of Our Present Discontents*, warned: "...many of the greatest tyrants on the records of history have begun their reigns in the fairest manner. But the truth is, this unnatural power corrupts both the heart and the understanding."

#### **English Constitutionalism**

Though the age of absolutism further darkened the shadow of centralized power spreading across Europe, there remained some encouraging exceptions. In early seventeenth century England, Sir Edward Coke, greatest of the English parliamentary lawyers, led the struggle against the absolutist pretensions of the Stuart monarchy. Coke renewed the principle that both ruler and ruled were subject to Natural Law. It was Coke who was primarily responsible for the renewed emphasis upon Magna Charta and upon traditional limitations to the exercise of royal power.

Before the end of the century, the Glorious Revolution of 1688

<sup>5</sup> *Ibid.*, pp. 99, 93.

<sup>6</sup> *Ibid.*, p. 99.

was to complete the rejection of unlimited royal power in England. *The perils of unlimited democratic power* remained to be faced in the modern world, but at least royal power based on Divine Right had begun its decline. That decline, which began in England in the seventeenth century, was destined to spread throughout Europe within the next one hundred years.

### **The American Revolution**

The harbinger of the change to come first developed not in Europe, but in the New World. Even while the English had been moving toward the limitation of royal power, their colonies in North America had been making even greater strides:

No greater contrast could be noted in the position of men than that between the Englishman at home, in the early seventeenth century, and the Englishman who emigrated to America. Almost all the conditions that surrounded the former were reversed in the case of the latter. The pressure of central government was immediately and almost completely withdrawn. Many of the most urgent activities of government in England, such as the vagabondage, almost ceased in the colonies. The class of settled rural gentry from which most local officials were drawn in England did not exist in America. On the other hand, the wilderness, the Indians, the freedom from re-

straint, the religious liberty, the opportunity for economic and social rise in the New World made a set of conditions which had been quite unknown in the mother country.<sup>7</sup>

But by the second half of the eighteenth century the constitutional limitations of power, begun in England and implemented in the colonies, began to interfere with the ambition of King George III in his quest for "personal" rule. A number of Englishmen, most prominent among them Edmund Burke, insisted that the Americans were defending established rights and traditions with deep roots in English history and wide implementation in the American colonies. To these opponents of centralized power, the American Revolution was the next logical step in the process begun a hundred years before in the Glorious Revolution of 1688 when Stuart absolutism had been rejected by the British people.

The Americans so clearly recognized the dangers of excessively centralized power that they soon erected barriers in their new system of government to ensure that such concentrations did not again occur. The idea of separated powers and a system of checks and balances, deriving largely

<sup>7</sup> Edward P. Cheyney, *European Background of American History, 1300-1600*, p. 183.

from Montesquieu's *Spirit of the Laws*, reflected that basic distrust of centralized authority. Thus, the American experiment in dealing with power presupposed the two great lessons which Western man had learned at such great cost:

- (1) Decentralize political power;
- (2) Make the exercise of any power subordinate to a Higher Law of right and wrong which no man and no government has authority to change.<sup>8</sup>

### **The French Revolution**

The assault upon royal absolutism in Europe was destined to proceed along very different lines. The French Revolution, drawing heavily upon the work of the *philosophés*, adopted a completely different attitude toward the law and order necessary to the maintenance of society and substituted a faith in the "General Will" of Rousseau for the older religious ideals evidenced in the American Revolution, thus perverting Natural Law into "natural rights." The distinction was to prove crucial: If the ultimate source of authority is God, the authority of the state is limited; but if no authority is placed above the mystique of the state, the door stands open to the great excesses of power which have since occurred

in the modern world. The French Revolution thus substituted the "General Will" for "Divine Right," and in the process rejected a powerful master only to assume another master destined to prove still more powerful.

### **Edmund Burke**

Edmund Burke was among the first to see the vital distinction between the American and French Revolution and to sense the danger to human freedom implicit in the French experiment. Grounded in the tradition of Cicero and Aquinas, Burke understood the necessity of a religious foundation for Natural Law. He drew upon the heritage of Western man's experience in the handling of power, and warned that a society which would not recognize God as its sovereign and which elevated man to a pretension as ruler of the Universe, would ultimately center such terrible power in the state that individual man would be degraded beyond recognition.

In the late eighteenth and early nineteenth century, the contrast between the American and French Revolutions was argued on both sides of the Atlantic. The American experiment generally maintained its limitation and fragmentation of power, based on the assumption of human rights exercised as the consequence of a God-

<sup>8</sup> See "American Federalism: Origins" (*The Freeman*, Dec. 1966.)

given individual dignity. Europe in larger part pursued the ideas drawn from the French Revolution and Rousseau's "General Will," ultimately generating a host of socialistic theories in the works of Fourier, St. Simon, Marx, and the numerous other collective thinkers which dotted the nineteenth century European intellectual landscape. All these theorists shared a view of the world stressing collective humanity and therefore ultimately minimizing the individual.

It is one or the other of these two traditions which lies at the root of all the approaches to the

problem of power which Western civilization pursues in the mid-twentieth century. Stripped to their essentials, two choices confront modern man: (1) Acceptance of man as a unique individual with spiritual and creative capacities derived from a power above the state and protected by a fragmentation of power within society; or (2) Rejection of this traditional view of man held by Western civilization and acceptance of the "Collective We" as the supreme power in the universe, recognizing no limitation upon its authority and enshrining the state as its supremely powerful agent. ♦

*Dr. Roche, who has taught history and philosophy at the Colorado School of Mines, now is a member of the staff of the Foundation for Economic Education.*

*Subsequent articles in this series on Power will deal with: (2) Some Modern Manifestations; (3) Social Effects; (4) Prospects.*

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## EQUALITY: THE LEVEL OF MEDIOCRITY

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HOWARD E. KERSHNER

MOST OF US are conscious of the fact that the world contains multitudes of men who are far abler than ourselves. Far from making us jealous or unhappy, we are exceedingly grateful for them. We enjoy great music, but we could not write it, as Beethoven, Bach, Brahms, Chopin, Tchaikovsky, Schubert, Mozart, Verdi, and a host of others have done. We can play a few instruments, but not like Liszt, Paderewski, Kreisler, Heifetz, Rubenstein, and many other immortals who have brought heaven down to earth with their superb excellence.

Our libraries are filled with good books, the treasuries of history, literature, and culture. We take great delight in reading Shakespeare's plays and Tennyson's poetry, but we could not have written such marvelous works. We

are fortunate that they could. Suppose we had no great minds such as these! How fortunate that we can ride along with them, enjoying their creations as if they were our own. Why should we be jealous of them? Rather we should be thankful and pay tribute to them.

Our devotion and spiritual perception is vastly inferior to that of a Saint Paul, a Saint Francis of Assisi, a Saint Augustine, or a Saint Thomas Aquinas, but we can soar up into the heavens on the spiritual power generated by a host of saints and prophets.

We enjoy our automobile, riding about the world in jet planes, our radio, television, and stereophonic music. We could not have developed the great industrial giants of our country that have lifted the burden of toil from our backs and emancipated us from the handicraft age into a degree of luxury unknown by kings a few centuries ago, but we can enjoy the results

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Dr. Kershner is President of the Christian Freedom Foundation. This article is from his weekly column, "It's Up to You," March 27, 1967.

of the efforts of the great men who created these things for our enjoyment.

When taking a loved one to the hospital, who wants a common, average surgeon? We all want a doctor, not only with superior skill, but a conscientious, honorable man whom we know has spent many long years developing the knowledge and skill required to save the life of the dear one we entrust to his care.

We don't want equality. If there were no men in this world superior to ourselves, no men capable of earning more than we earn, no men capable of preaching

finer sermons, organizing greater businesses, developing greater skill in medicine, in the arts, and in literature, and no men of great devotion or spiritual insight, it would be a poor, drab world in which to live. Let us have done with the cult of the common man and begin to recognize and appreciate worth, talent, ability, and devotion wherever we find it. Gifted men have carried the world forward on their shoulders. Whatever progress we have made, we owe to them. Let us acknowledge it and be grateful for it, and not try to clip their wings and reduce them to the level of mediocrity. ♦

#### IDEAS ON LIBERTY

### *Changes in England*

A SUBSTANTIAL CHANGE in public opinion is taking place here — and it is largely education by events. The Government is finding that it cannot do certain things without also adopting policies which are at least uncomfortable. We have reached the zenith of trade union power and from now on it will decline.

This week on the television we have even had a Socialist Member of Parliament advocating freeing imports so as to help so-called underdeveloped countries and as a substitute for aid.

We have also had the socialist National Union of Teachers urging that free meals to school children should be abandoned and that parents should accept that responsibility. Free meals have been costing the budget something well over £100,000,000 a year.

It looks as if we are going to get out of Aden and let the Russians in — the consequences of which may be very serious — but I imagine that your people can see what ought to be done.

From a letter by S. W. ALEXANDER (London) March 31, 1967

# *Private Ownership*

..... A MUST!

HENRY HAZLITT

EDITOR'S NOTE: Henry Hazlitt, well-known economic journalist and scholar, has written many books, including a novel about the rediscovery of capitalism by a young Russian after all the economic and political writing of the past, except that of the Marxists, has been wiped out. The hero, Peter Uldanov, performs the prodigious feat of recreating by his own mental effort ideas that it has in fact taken generations of great economists to develop and refine.

This novel, originally appearing in 1951 as *The Great Idea*, was revised and republished in 1966 as *Time Will Run Back* with a new Preface from which this article is drawn by permission of the publisher.

*Time Will Run Back* may be obtained from Arlington House, 81 Centre Avenue, New Rochelle, N. Y. 10801. 368 pp., \$6.00.

IF CAPITALISM did not exist, it would be necessary to invent it — and its discovery would be rightly regarded as one of the great triumphs of the human mind. But as “capitalism” is merely a name for freedom in the economic sphere, the theme might be stated more broadly: The will to freedom can never be permanently stamped out.

Under complete world totalitarianism (in which there was no free area left from which the totalitarian area could appropriate the fruits of previous or current discovery and invention, or in which its own plans could no longer be parasitic on knowledge of prices and costs as determined by capitalistic free markets) the world would in the long run not only stop progressing but actually go backward technically as well as economically and morally — as the world went backward and remained backward for centuries after the collapse of Roman civilization.

A centrally directed economy cannot solve the problem of economic calculation, and without private property, free markets, and freedom of consumer choice, no organizational solution of this problem is possible. If all economic life is directed from a single center, solution of the problem of the exact amounts that should be pro-

duced of thousands of different commodities, and of the exact amount of capital goods, raw materials, transport, etc. needed to produce the optimum volume of goods in the proper proportion, and the solution of the problem of the *coordination and synchronization* of all this diverse production, becomes impossible. No single person or board can possibly know what is going on everywhere at the same time. It cannot know what real costs are. It has no way of measuring the extent of waste. It has no real way of knowing how inefficient any particular plant is, or how inefficient the whole system is. It has no way of knowing just what goods consumers would want if they were produced and made available at their real costs.

### **The System Breaks Down**

So the system leads to wastes, stoppages, and breakdowns at innumerable points. And some of these become obvious even to the most casual observer. In the summer of 1961, for example, a party of American newspapermen made an 8,000-mile conducted tour of the Soviet Union. They told of visiting collective farms where seventeen men did the work of two; of seeing scores of buildings unfinished “for want of the proverbial nail”; of traveling in a land virtually without roads.

In the same year even Premier Khrushchev complained that as of January 1 there were many millions of square feet of completed factory space that could not be used because the machinery required for them just wasn't available, while at the same time in other parts of the country there were the equivalent of hundreds of millions of dollars worth of machinery of various kinds standing idle because the factories and mines for which this machine was designed were not yet ready.

At about the same time G. I. Voronov, a Communist party Presidium member, said: "Who does not know that the national economy suffers great difficulties with the supply of metals, that the supply of pipes is inadequate, that insufficient supplies of new machinery and mineral fertilizers for the countryside are produced, that hundreds of thousands of motor vehicles stand idle without tires, and that the production of paper lags?"<sup>1</sup>

In 1964 *Izvestia* itself was complaining that the small town of Lide, close to the Polish border, had first been inundated with boots, and then with caramels — both products of state factories. Complaints by local shopkeepers that they were unable to sell all these goods were brushed aside on

the ground that the factories' production schedules had to be kept.

Such examples could be cited endlessly, year by year, down to the month that I write this. They are all the result of centralized planning.

The most tragic results have been in agriculture. The outstanding example is the famine of 1921-22 when, directly as a result of collectivization, controls, and the ruthless requisitioning of grain and cattle, millions of peasants and city inhabitants died of disease and starvation. Revolts forced Lenin to adopt the "New Economic Policy." But once more in 1928 more "planning" and enforced collections of all the peasants' "surpluses" led to the famine of 1932-33, when more millions died from hunger and related diseases. These conditions, in varying degree, come down to the present moment. In 1963 Russia again suffered a disastrous crop failure. And in 1965, this agrarian nation, one of whose chief economic problems in Tzarist days was how to dispose of its grain surplus, was once more forced to buy millions of tons of grains from the Western capitalist world.

### **Problems in Industry**

The industrial disorganization has been less spectacular, or better concealed—at least if we pass over

<sup>1</sup> See *New York Times*, Oct. 29, 1961.

that in the initial phase between 1918 and 1921. But in spite of extravagant claims of unparalleled "economic growth," Russia's problems of industrial production have been chronic. Since factory output goals are either laid down in weight or quota by the planners, a knitwear plant recently ordered to produce 80,000 caps and sweaters produced only caps, because they were smaller and cheaper to make. A factory commanded to make lampshades made them all orange, because sticking to one color was quicker and less trouble. Because of the use of tonnage norms, machine builders used eight-inch plates when four-inch plates would easily have done the job. In a chandelier factory, in which the workers were paid bonuses based on the tonnage of chandeliers produced, the chandeliers grew heavier and heavier until they started pulling ceilings down.

The system is marked by conflicting orders and mountains of paperwork. In 1964 a Supreme Soviet Deputy cited the example of the Izhora factory, which received no fewer than 70 different official instructions from nine state committees, four economic councils, and two state planning committees — all of them authorized to issue production orders to that plant. The plans for the Novo-Lipetsk steel mill took up 91 volumes com-

prising 70,000 pages, specifying precisely the location of each nail, lamp, and washstand.

Yet in 1964, in Russia's largest republic alone, deliveries of 257 factories had to be suspended because their goods were not bought. As a result of the consumer's stiffening standards and increased inclination to complain, \$3 billion worth of unsellable junk accumulated in Soviet inventories.<sup>2</sup>

### **Remedial Measures**

Such conditions have led to desperate remedial measures. In the last couple of years, not only from Russia but from the communist satellite countries, we get reports of massive decentralization programs, of flirtations with market mechanisms, or more flexible pricing based on "actual costs of production" or even on "supply and demand." Most startling, we hear that "profits" is no longer a dirty word. The eminent Russian economist, Liberman, has even argued that profit be made the foremost economic test. "The higher the profits," he has said, "the greater the incentive" to quality and efficiency. And equally if not more miraculous, the Marxian idea that interest represents mere exploitation is being quietly set aside, and in an effort to produce

<sup>2</sup> For the foregoing and other examples, see *Time*, Feb. 12, 1965.

and consume in accordance with real costs, interest (usually at some conventional rate like 5 per cent) is being charged not only on the use of government money by shops and factories, but against the construction costs of plants.

On the surface all this looks indeed revolutionary (or "counter-revolutionary"); and naturally I am tempted to hope that the communist world is on the verge of rediscovering and adopting a complete capitalism. But several weighty considerations should warn us against setting our hopes too high, at least for the immediate future.

#### **The "New Economic Policy"**

First, there is the historical record. This is not the first time that the Russian communists have veered toward capitalism. In 1921, when mass starvation threatened Russia and revolt broke out, Lenin was forced to retreat into his "New Economic Policy," or NEP, which allowed the peasants to sell their surplus in the open market, made other concessions to private enterprise, and brought a general reversion to an economy based on money and partly on exchange. The NEP was actually far more "capitalistic," for the most part, than recent reforms. It lasted till 1927. Then a rigidly planned economy was re-imposed for almost

forty years. But even within this period, before the recent dramatic change, there were violent zigs and zags of policy. Khrushchev announced major reorganizations no fewer than six times in ten years, veering from decentralization back to recentralization in the vain hope of finding the magic balance.

He failed, as the present Russian imitation of market mechanisms is likely to fail, because the heart of capitalism is private property, particularly private property in the means of production. Without private property, "free" markets, "free" wages, "free" prices are meaningless concepts, and "profits" are artificial. If I am a commissar in charge of an automobile factory, and do not own the money I pay out, and you are a commissar in charge of a steel plant, and do not own the steel you sell or get the money you sell it for, then neither of us really cares about the price of steel except as a bookkeeping fiction. As an automobile commissar I will want the price of the cars I sell to be set high and the price of the steel I buy to be set low so that my own "profit" record will look good or my bonus will be fixed high. As a steel commissar you will want the price of your steel to be fixed high and your cost prices to be fixed low, for the same reason. But with all means of production

owned by the state, how can there be anything but artificial competition determining these artificial prices in such "markets"?

In fact, the "price" system in the USSR has always been chaotic. The bases on which prices are determined by the planners seem to be both arbitrary and haphazard. Some Western experts have told us (e.g., in 1962) that there were no fewer than five different price levels or price-fixing systems in the Soviet Union, while others were putting the number at nine. But if the Soviet planners are forced to fix prices on some purely arbitrary basis, they cannot know what the real "profits" or losses are of any individual enterprise. Where there is no private ownership of the means of production there can be no true economic calculation.

### ***Elusive Costs of Production***

It is no solution to say that prices can be "based on actual costs of production." This overlooks that costs of production are themselves prices—the prices of raw materials, the wages of labor, etc. It also overlooks that it is precisely the *differences* between prices and costs of production that are constantly, in a free market regime, redirecting and changing the balance of production as among thousands of different com-

modities and services. In industries where prices are well above marginal costs of production, there will be a great incentive to increase output, as well as increased means to do it. In industries where prices fall below marginal costs of production, output must shrink. Everywhere supply will keep adjusting itself to demand.

But in a system only half free — that is, in a system in which every factory was free to decide how much to produce of what, but in which the basic prices, wages, rents, and interest rates were fixed or guessed at by the sole ultimate owner and producer of the means of production, the state — a decentralized system could quickly become even more chaotic than a centralized one. If finished products M, N, O, P, etc. are made from raw materials A, B, C, D, etc. in various combinations and proportions, how can the individual producers of the raw materials know how much of each to produce, and at what rate, unless they know how much the producers of finished products plan to produce of the latter, how much raw materials they are going to need, and just *when* they are going to need them? And how can the individual producer of raw material A or of finished product M know how much of it to produce unless he knows how much of that

raw material or finished product others in his line are planning to produce, as well as relatively how much ultimate consumers are going to want or demand? In a communistic system, centralized or decentralized, there will always be unbalanced and unmatched production, shortages of this and unusable surpluses of that, duplications, time lags, inefficiency, and appalling waste.

### **Private Property the Key**

It is only with private property in the means of production that the problem of production becomes solvable. It is only with private property in the means of production that free markets, with consumer freedom of choice and producer freedom of choice, become meaningful and workable. With a private price system and a private profit-seeking system, private actions and decisions determine prices, and prices determine new actions and decisions; and the problem of efficient, balanced, coordinated, and synchronized production of the goods and services that consumers really want is solved.

Yet it is precisely private property in the means of production that communist governments cannot allow. They are aware of this, and that is why all hopes that the Russian communists and their

satellites are about to revert to capitalism are premature. Only a few months ago the Soviet leader, Kosygin, told Lord Thomson, the British newspaper publisher: "We have never rejected the great role of profits as a mechanism in economic life. . . [But] our underlying principle is inviolate. There are no means of production in private hands."<sup>3</sup>

The communist rulers cannot permit private ownership of the means of production not merely because this would mean the surrender of the central principle of their system, but because it would mean the restoration of individual liberty and the end of their despotic power. So I confess that the hope that some day an idealistic Peter Uldanov, miraculously finding himself at the pinnacle of power, will voluntarily restore the right of property, is a dream likely to be fulfilled only in fiction. But it is certainly not altogether idle to hope that, with a growth of economic understanding among their own people, the hands of the communist dictators may some day be forced, more violently than Lenin's were when the mutiny at Kronstadt, though suppressed, forced him to adopt the New Economic Policy.

Yet any attempt to decentralize

<sup>3</sup> *New York Herald-Tribune*, Sept. 27, 1965.

planning while retaining centralized ownership or control is doomed to failure. As a recent writer explains it:

If the state owns or controls the major resources of the economy, to allow for local autonomy in their utilization invites utter chaos. The Soviet planners, then, are caught on the horns of a serious dilemma. They

find that their economy is becoming too complex and diverse to control minutely from above; yet they cannot really achieve the tremendous productiveness of a decentralized economy without relinquishing complete ownership or control of the nation's resources.<sup>4</sup> ♦

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<sup>4</sup> G. William Trivoli in *National Review*, March 22, 1966.

#### IDEAS ON LIBERTY

### *Inflation Erodes Investment*

INFLATION reduces the value of financial assets such as savings accounts, bonds, pension plans and insurance policies. These investments have a constant face value, and rising prices mean the dollars a person gets back will buy less than the ones he put in. Inflation, therefore, tends to shift purchasing power from these investors, who are essentially lenders, to borrowers.

The notion once was popular that lenders were usually rich and borrowers often poor. If this idea ever were true, it is no longer valid in these affluent times. Surveys show that every income grouping of individuals — even the lowest — now has more financial assets than indebtedness. Put another way, every income group is a net lender, on the average, and thereby stands to lose purchasing power through inflation. Who are the “poor” debtors who stand to gain? All levels of government rank high among them.

It would be disastrous if inflation caused a reduction in the amount of money saved and invested in new or expanded factories, offices, farms, and stores. This process is the mainspring of economic growth and, because of modern technology, requires huge amounts of extra funds every year.

From *Inflation and/or Unemployment* by Lawrence C. Murdoch, Jr., Federal Reserve Bank of Philadelphia.



# Mr. Kappel's Dilemma

LEONARD E. READ

ON APRIL 3, 1967, Postmaster General Lawrence O'Brien told a gathering of magazine publishers and editors that the Post Office Department should be turned over to a nonprofit government corporation. He eloquently conceded the failure of government mail delivery:

Had the A T & T been operated as has the Post Office Department, the carrier pigeon business would have a bright future.

A few days later President Johnson named Mr. Frederick Kappel, the recently retired head of A T & T, as chairman of a 10-man Commission to report within one year what should be done about mail delivery.

Here is the dilemma of Mr. Kappel and his Commission:

1. To recommend a modified form of state ownership and operation, such as a nonprofit government corporation, would simply postpone any correction of the present inefficiency and waste.

2. To recommend what *should be done*, that is, let anyone deliver mail for whatever rates users will pay, would appear too incredible to the President, the Congress, and the people for the proposal to be accepted.

In a word, Mr. Kappel's Commission will be damned if it does and damned if it doesn't!

Thus, the Commission may decide not to disregard the Postmaster General's suggestion of a nonprofit government corporation. This, of course, is still the state ownership and operation of the industry: socialism. Nor will it be

looked upon as a fruitless venture by anyone convinced of his own ability to make socialism work. Most people seem to think that the failure of socialized mail delivery to date has not been in the principle of socialization but, rather, in the faulty organization of the socialized structure.

Observe the failure of one "5-year plan" after another in Russia, India, or wherever. Then note that the planners invariably ascribe the failure to an error in the planning rather than to the master-planning system itself.

The long and the short of it is that these people do not know how to make socialism work; no one ever has; no one ever will. All the evidence confirms the failure.

### ***It Would Still Be Socialized***

A nonprofit government corporation, however ingeniously devised, is no less a political agency than is the present Post Office Department. The stern discipline of earning a profit or losing the invested capital is wholly absent from such agencies. Sloppy management, instead of being penalized through personal losses, is subsidized at taxpayer expense. There is neither penalty for failure nor reward for success under a government-type corporation.

Note the incongruity: During the period of years when A T & T

was earning profits of \$25,000,000,000 the Post Office Department piled up deficits of \$12,000,000,000. The former is organized for profit; its services continually improve as its rates decrease — a colossal success. The latter is organized for nonprofit; its services continually deteriorate as its rates increase — a colossal failure. The Postmaster General suggests a new nonprofit, government corporation to remedy the mail fiasco and the President asks the retired head of the private A T & T, organized for profit, to recommend how to do it!

Why do so many people believe that a nonprofit corporation is better than one organized for profit? They think this way because they naively believe that the \$25,000,000,000 earned by A T & T, for instance, would have gone to workers in higher wages and/or to consumers in lower prices had the Company been nonprofit. They overlook the likelihood that there would have been something less than nothing had the telephone business been organized along nonprofit lines. *Profit is not a cost of doing business, but the reward for having done it more efficiently than competitors do.*

Most people like to make money. It is the hope of so doing — the profit motive — that makes for competition. The fact that each

is trying to outdo the others improves services and brings prices down.<sup>1</sup> The record speaks eloquently for itself on this point.

The Postmaster General sees that the carrier pigeon business would have a bright future had A T & T been organized as has the Post Office Department. Yet, he recommends another government monopoly to displace the one that has failed! Does he not understand the vital distinction between the two? One is private, competitive, and for profit, while the other is political, monopolistic, and not for profit.

#### **Collectivizing the Problem**

And now to the heart of "the problem." Why is mail delivery a national problem, whereas no such problems arise in the delivery of the human voice, or of human beings, or of drugs and groceries, or of gas and oil? It is because mail delivery, as distinguished from the others, has been nationalized. In other words, this activity has been collectivized. Were we to break the monopoly of mail delivery, "the problem" would

<sup>1</sup> Some will argue that A T & T has little if any competition. True, it has about 88 per cent of the business, but we must not overlook the fact that there are 2,500 independent telephone companies in the U.S.A. A T & T has to operate as if there were enormous competition—"run scared," as we say—or there will be!

vanish, disintegrate; it would shatter into 200,000,000 fragments.<sup>2</sup>

Nationalize or collectivize verbal communication, that is, consolidate into a single system the 200,000,000 individual desires to transmit the spoken word, and immediately we would have "a problem" incapable of solution. Suppose it were up to you to coordinate 200,000,000 desires to talk! What to do? Just as the Post Office Department does, you'd doubtless lump these millions of requirements into a few dozen divisions or categories. But even these you could not manage to the satisfaction of the customers. You would have "a problem"!

Our nationalized mail delivery is lumped into categories. There is the personal message called first-class mail, 5¢ for the first ounce if by surface, 8¢ if by air. There is the no-charge or franked mail, billions of envelopes containing everything from subsidy checks to political propaganda. There is Rural Free Delivery. And library literature that goes across the nation for one-fifteenth of a cent an ounce! And highly subsidized delivery of magazines, newspaper, catalogues! And then there is below-cost freight delivery lumped under the heading of "parcel post." There are other

<sup>2</sup> Approximate population of U.S.A.

categories; but when all is said and done, the Post Office Department has a daily deficit of \$3,000,000 and several million dissatisfied customers. This is indeed "a problem," primarily because the industry is collectivized.

### **Free the Market**

How is the national problem of mail delivery to be de-collectivized? The solution is simple enough to outline but difficult to implement within the prevailing political climate. Only two steps are necessary:

1. Repeal all laws that prohibit anyone from delivering mail for pay.

2. Let the Congress appropriate no more funds to defray Postal deficits, forcing the Department either to close down or to charge rates sufficient to cover costs.

Should the Post Office Department elect to stay in business, the rates would zoom. Rural Free Delivery might have to be discontinued. But, what's wrong with a rural resident picking up his mail in town as he does his groceries? No more franked mail! Politicians and bureaucrats would be obliged to include postage in their budgets. And the mail order houses with their subsidized delivery of catalogues and merchandise! Are they to go out of business? Perish the thought! These ingenious folks

will discover how to handle their own delivery problems, better and at lower cost.

Gone would be "the problem." In its place would be 200,000,000 individuals each with his delivery requirements and with numerous competing services trying to please. One might even expect postal services to advertise for customers, just as the privately operated telephone companies offer attractive suggestions that more people make greater use of the telephone. No "problem"—just millions of requirements and business opportunities.

There are two major stumbling blocks to free market mail delivery.

First, governmental mail handling is a habit of long-standing. We inherited the practice from the Old World where it was instituted more as a system of censorship and snooping than as a means of efficient delivery. Without giving the matter a second thought, our forefathers wrote into Article I of our Constitution, "To establish post offices and post roads." The practice is surrounded by an aura of sanctity—however irrational.

Second, neither Mr. Kappel, nor any other man, can possibly envision how people acting freely, independently, privately, voluntarily, cooperatively could deliver mail

to the American millions. Hence, most people, if they cannot think how to do it themselves, are at a loss to think of how anyone can. Thus, they mistakenly conclude that it is a task not for free men but for government.

Of course, no human being can hit upon how to do this. The head of A T & T, had he lived a century ago and been asked to tell how to deliver the human voice all over the world at the speed of light, would have been stumped. Indeed, he doesn't know how to do it in 1967 after the miracle is a *fait accompli*. He no more knows how to deliver the human voice than the head of General Motors knows how to make an automobile, or the head of Boeing knows how to make a jet, or the head of Eberhard Faber knows how to make a pencil!<sup>3</sup>

### **The Uses of Knowledge**

To rid ourselves of "the problem," we must understand the sum and substance of the knowledge that accounts for voice delivery, automobiles, jets, pencils, the only aggregation of knowledge that can deliver mail with increasing efficiency and decreasing costs.

This knowledge is not the frag-

ment that exists or can be assimilated in any single mind. It is, instead, a coming together of literally trillions of tiny bits of know-how, infinitesimal wisdoms, ideas, creativities, inventions, discoveries, think-of-thats, flowing in complex interchange since the dawn of human consciousness.<sup>4</sup> These discrete bits naturally form to accomplish this or that — mail delivery or whatever — provided they are free to flow. This phenomenon is comparable to and just as miraculous as the invisible molecules that show forth as a cloud, a tree, a vein of gold.

Small wonder that no person knows how to deliver mail to millions of people, or ever will! Anyone who attempts to mastermind the activity is doomed to failure.

Some ask, why not turn mail delivery over to the successful A T & T? This company knows about voice delivery, not mail delivery and is no more prepared to take over the postal business than is General Electric or Piggly Wiggly.

The knowledge required for successful mail delivery is not only unknown but utterly unpredictable. No one understood the fundamentals of voice delivery a cen-

<sup>3</sup> See the chapter, "Only God can Make A Tree—Or A Pencil" in my *Anything That's Peaceful* (Irvington, N.Y.: The Foundation for Economic Education, Inc., 1964) pp. 136-43.

<sup>4</sup> See the chapter, "The Miraculous Market" in *The Free Market and Its Enemy* (Irvington, N. Y.: The Foundation for Economic Education, Inc., 1965) pp. 6-21.

ture ago! We only know that the successful delivery of mail requires a wholly new arrangement and assembly of knowledge — existing knowledge extending back to harnessing fire and the invention of zero, plus many undreamed of cost-saving, service-bettering inventions, creativities, discoveries.

This new assembly of knowledge will emerge when free entry is permitted in the mail business, that is, when it is on a private property, competitive, profit and loss, willing exchange basis. And what shape or form or size the business will take cannot even be guessed.

***If the Answer Were Known,  
a Committee Might Find It***

A century ago the human voice could be delivered no farther than two shouters could effectively communicate — less than 50 yards! But bear in mind that today's fantastic attainment was not brought about by some nineteenth century commission formulating an A T & T to solve a problem that no one knew existed.

Successful voice delivery is the flower of the freest market ever experienced by man. Freedom is responsible for the attainment, and also explains why A T & T exists. This corporation, as well as the 2,500 independents, are

merely formal and legal assemblies of existing expertise, knowledge, persons. These structures are not the cause of the creativities; it is the creativities, stimulated when men are free to try, that account for the structures.

We should appreciate, in light of all the evidence, that the postal problem — and it is a real one — cannot be resolved by simply restructuring the business. One doesn't start there.

The sole answer lies in freeing the market. For the best service and the lowest rates, let anyone deliver mail at whatever price he can obtain! At the moment, this seems to be out of the question because there is so little faith in private property, willing exchange procedures. What is required, then, is a deeper and broader grasp of these phenomenal, miraculous processes.

If we wish efficient mail delivery, we must first recognize the root of the trouble: a lack of faith in what men can accomplish when free. The revival of this faith rests on an improved understanding of the phenomena which flow from the practice of liberty. It begins with your and my enlightenment. If we are successful enough, others also will behold the light. There isn't any answer, at this time, short of free market education. ♦

# ERASMUS, REFORM, AND THE REMNANT

ROBERT M. THORNTON

EDITOR'S NOTE: *While it is not a major function of THE FREEMAN to argue theological matters or to reprint sermons as such, it seems appropriate that we explore the methods of freedom as set forth by businessman Robert Thornton in an address at St. John's Congregational Church, Covington, Kentucky, March 12, 1967.*

LAST YEAR was the 500th anniversary of the birth of Erasmus of Rotterdam. How much public mention was made of the great Christian scholar I do not know, but the occasion was acknowledged from one pulpit — that, appropriately, of the Rev. Angus MacDonald, minister of First Congregational Church in Hutchinson, Kansas.

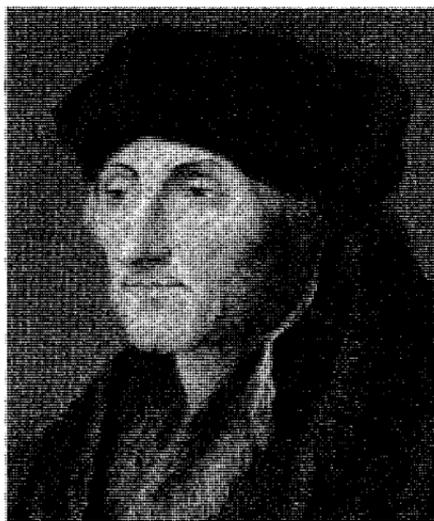
Erasmus is, of course, not so well known as the other great figures of the Reformation. But even before Martin Luther burst on the scene in the early sixteenth century, Erasmus had for some years been speaking out plainly about the shortcomings of the church and the decline in true Christian living among both lay folk and the clergy. However, when both sides in the Reformation vainly sought his favor and open support, he refused to come out unequivocally for either party. Consequently, one denounced him as a heretic, the other as a coward. But after his death in 1536, when strong feelings had subsided, he once again was embraced by Protestants and Roman Catholics alike. But Erasmus is not the kind of man who may be claimed as the exclusive property of any organization. "I tried to find out," wrote one of his contemporaries, "whether Erasmus of Rotterdam was an adherent of that party,

but a certain merchant said to me: 'Erasmus stands alone.'"

Erasmus believed his vocation to be the advancement of learning and of the Christian religion. His office was that of the thinker and expositor and persuader whose opportunity of influencing men lies in his gifts of lucidity and eloquence. He worked incessantly, producing dozens of volumes, many of which were useful or popular or both, for generations. Erasmus' goal was, then, to employ humanism in the service of religion, that is, to apply the new scholarship of the Renaissance to the study and understanding of Holy Scriptures and thereby to restore theology and revive religious life. Scholarship was not to be an end in itself, but was to conduct men to a better life. Though aware of the limitations of human learning, he understood it is knowledge, not ignorance, that will reveal God's truth and God's way.

#### **An Inner Grace**

Erasmus' dream was a return to the early Christianity of practice, not of opinion, where the church would no longer insist on particular forms of belief and hence mankind would cease to hate and slaughter each other because they differed on points of theology. To Erasmus, religion meant purity



*Bettmann Archive*

and justice and mercy, with the keeping of moral commandments, and to him these Graces were not the privilege of any peculiar creed.

Erasmus helped to produce a new birth in the life of Europe for he had a kindling power which set alight persons who were to become saints and transmitters of new life. Although himself neither mystic nor saint, his greatest influence was on the lives and writings of that remarkable group of sixteenth and seventeenth century men called Spiritual Reformers. These men scorned the emphasis on ritual and dogma to the exclusion of true religion. Wrote one of them, Hans Denck: "There is no salvation to be found which

does not involve a change in heart, a new attitude of will, an awakened and purified inner self."

This echoes Erasmus' insistence that in the Christian experience something had to happen to a man's heart and mind. Another member of this group, Sebastian Franck, declared that "the true Church is not a separate mass of people, not a particular sect to be pointed out with the finger, not confined to one time or one place. It is rather a spiritual and invisible body of all members of Christ, born of God, of one mind, spirit, and faith, but not gathered (i.e., organized) in any one external city. It is a Fellowship which only a spiritual eye would see. It is the assembly and communion of all truly God-fearing, good-hearted, new-born persons in the world, bound together by the Holy Spirit in the peace of God and the bonds of love."

Erasmus had the vision of an inward religion and he wanted to offer a corrective for what he had come to see as the common error of all those who were turning religion into an empty ceremonialism. He believed that religion consists primarily not of outward signs and devotions but of the inward love of God and neighbor. He urged that the essential dogmas of Christianity be reduced to as few as possible, leaving opinion

free on the rest. If we want truth, he said, every man ought to be free to say what he thinks without fear; and wherever you encounter truth, look upon it as Christianity. If Protestantism may be defined as a claim to liberty for the individual to reach his own conclusions about religion in his own way and express them freely without interference, Erasmus was in this sense closer to Protestantism than many who are now assigned the mantle.

### **Quiet Reasoning**

Erasmus realized that waging the Christian battle required vigor of mind more than intensity of feeling. Detesting fanaticism and bigotry, as do reasonable and cultivated men of all ages, he rejected the either/or zealotry and passion, and in his work there is an awareness that truth must be sought in humility. While so many men of his time were concerned with proving their adversaries wrong or wicked or heretical, Erasmus, ever sensitive to the human situation, was concerned with *winning* others to piety and to Christ. He was convinced that neither side in an argument can completely express the truth, and he did not suffer the delusion which makes a man feel he can at one blow destroy all that is bad upon this earth. "Old institutions,"

he said, "cannot be rooted up in an instant, and quiet argument may do more than wholesale condemnation."

Erasmus practiced what has been called a kind of low-tension Christianity. Unfortunately, there are relatively few who can understand a person whose faith may indeed be so real, so present, and so homely, that one jests with and about it, as if it were a friend or a brother. Erasmus, writes H. H. Hudson, "bids us hold our convictions with some lightness, and to add grace to life. Our best work will be done in a critical spirit, which turns upon ourselves and itself the same keen gaze and feasting irony with which it views the world."

### **What Can I Be?**

The Erasmian concept of reform as a matter of individual change is unpopular in our age of political action and mass movements. The interest today is not changing ourselves but other people, preferably in great numbers. Our method is not persuasion, as was Erasmus', but coercion. There is a demand for *action now* with concrete results. Life itself, as Joseph Wood Krutch has remarked, is looked upon as a collection of problems, and we are constantly badgered to *do* something about them.

But some persons do *not* look upon life as merely a collection of problems. Rather they would say with Edmund Opitz that "life is not a problem to be solved, but a reality to be lived." The question they ask is not "What can I *do*?" but "What can I *be*?"

Christians, wrote the authors of *Understanding the New Testament*, believe that "the new life is not to be measured primarily by what the Christian does, but by what he *hopes, believes, and loves* — in brief, then, by what he *is* instead of what he *does*. But it should be understood that "the Christian's primary concern with faith does not free him from responsibility for his actions." Rather, "the God who has called them out of their aimless ignorance is holy, and he demands that Christians be holy in all their conduct as he is holy."

Perhaps this point will be made clear by considering the nature of sin. Mary Ellen Chase writes that "sin is far more than only the performance of wrong acts. It is a condition of moral and ethical blindness; it is indifference to the things of the spirit and, therefore, spiritual death. In other words, right and wrong are more than behavior; they are states of the human mind and soul." Or, in the words of William Barclay, "Sin is the failure to be

what we ought to be." To Jesus, writes Barclay, "sin is *an attitude of the heart.*" Outward actions may be beyond reproach but the deciding factor is that attitude of the heart. "The differences in human life depend, for the most part," says Elton Trueblood, "not on what men *do*, but upon the meaning and purpose of their acts." "What we are," writes Dean Inge, "matters much more than what we do or say."

### To Be a Better Self

We should, I think, concentrate on efforts to *be* good instead of seeking first to *do* good. Follow the latter course and the temptation is to reform our fellows instead of trying to improve ourselves. Norman Ream expressed it this way: "The proper question, however, is not what you can *do*, but what you can *become*. It's a lot easier to do something than to be something. When you are tempted to ask if there isn't something you can do, remember there is always something you need to be, namely a better self."

"What God cares about," said C. S. Lewis, "is not exactly our actions. What he cares about is that we should be creatures of a certain kind or quality—the kind of creatures He intended us to be." There are some persons, writes William Barclay, "who help us,

not by anything they say or write, but by simply being what they are, men whom to meet is to meet God."

The teaching of Jesus, wrote Albert Jay Nock, "appears to have been purely individualistic. In a word, it came to this: That if every *one* would reform *one* (that is to say, oneself) and keep *one* steadfastly following the way of life which he recommended, the Kingdom of Heaven would be co-extensive with human society. The teaching of Jesus, simple as it was, was brand-new to those who listened to it."

There is, wrote Hanford Henderson, only *one* major problem in the whole world "and that is the salvation of the individual soul. Our own personal problem is quite the same as that of every other sane, red-blooded, earnest man or woman in the whole world. It is to make ourselves as big and fine and useful and human as we possibly can and, were we so fortunate as to have well-born sons and daughters, to help them to be bigger and finer and more useful and more human than we are. It is a much less spectacular job than the artificial problems of government, dynasty, empire, ecclesiasticism, trade unionism, socialism, communism, commercial supremacy, dictatorship, and all the other aggressive mass movements; but it

is the one real and important problem whose solution will bring peace and tranquillity and worth to a world now very much distraught."

### **The Salt of the Earth**

But, some may complain, even if a few individuals do reform themselves, what good will it be when the great majority fail to do so? What possible difference can a handful of reformed persons make in a society of millions? But these complainers are judging by "the wisdom of the world instead of a higher sort of wisdom which," explains H. H. Hudson, "reveals to every man who has it that whatever he may do is in itself vain and dispensable yet the soul which he throws into it and the life he builds through it are not necessarily so. Put into other terms, except God build the house, they labor in vain that build it."

"Even that which in the concrete world can never be victorious remains in that other as a dynamic force," wrote Stefan Zweig, "and unfulfilled ideals often prove the most unconquerable. Those ideals only which have failed to put on concrete form are capable of everlasting resurrection."

In his Sermon on the Mount, Jesus said to his disciples: "Blessed are you, when men shall revile you, and persecute you, and

shall say all manner of evil against you falsely, for my sake. Rejoice, and be exceeding glad: for great is your reward in heaven: for so persecuted they the prophets which were before you. Ye are the salt of the earth."

The *salt of the earth* was no mean title for the disciples because salt was greatly valued in the time of Christ, being indispensable for the preservation of food. The meaning, in part, of the parable is that society easily becomes corrupt and the forces of death are not stayed unless some folks are salt. It makes no difference that the group is small because a pinch of salt is effective out of proportion to its amount. Nor is their call to sensational witness because salt is inconspicuous, ordinary, and mixed with common things.

The method Jesus suggested to his disciples has been called by Lao-Tze "creative quietism." The object, writes Leonard Read, is "to work privately as extensively as possible but shy away from becoming a public spectacle. Instead of seeking publicity, creative quietism suggests concentration on the perfecting of thought to which others will be drawn. Have no fear that one's light will be hidden; be confident, rather, that any light, if strong enough, will penetrate the darkness."

This echoes the words of Tolstoy

on the power of truth: "No feats of heroism are needed to achieve the greatest and most important changes in the existence of humanity; neither the armament of millions of soldiers, nor the construction of new roads and machines, nor the arrangement of exhibitions, nor the organization of workmen's unions, nor revolutions, nor barricades, nor explosions, nor the perfection of aerial navigation; but a change in public opinion. And to accomplish this change it is only needful that each individual should say what he really feels or thinks, or at least that he should not say what he does not think."

#### **A New Public Opinion — Private and Unobtrusive**

A new public opinion will be created privately and unobtrusively. "The existing one," continues Albert Schweitzer, "is maintained by the press, by propaganda, and by financial and other influences which are at its disposal. The unnatural way of spreading ideas must be opposed by the natural one, which goes from man to man and relies solely on the truth of the thoughts and the hearer's receptiveness for new truth."

Those called by Jesus the salt of the earth were in the Old Testament called The Remnant, a leaven

that would transform the loaf of mankind. "If we belong in the remnant," wrote Albert Jay Nock, "we will proceed on our own way, first with the more obscure and extremely difficult work of clearing and illuminating our own minds, and second, with what occasional help we may offer to others whose faith, like our own, is set more on the regenerative power of thought than on the uncertain achievements of premature action." Such persons have the power "to see things as they are, to survey them and one's own relations to them with objective disinterestedness. Those who have this power are everywhere; everywhere they are not so much resisting as quietly eluding and disregarding all social pressure which tends to mechanize their processes of observation and thought."

"It was not an accident," wrote Rufus Jones, "that the two greatest prophets of the ancient world — Plato and Isaiah — made so much of the 'remnant' in the formulation of their hope for the better world of the future." Ideally, a remnant is comprised of a "small, outstanding group of persons who have vision of the true line of march for their age and people, clear insight into the underlying principle of life and action, and a faith that ventures everything to achieve what ought to be." These

spiritual rebels care more for truth than for mere unity.

The first Christians, wrote Jones, "who in the early chapters of Luke's second book, *The Acts*, are called 'those of the way,' felt themselves to be 'a peculiar people,' a 'remnant,' 'a true Israel within Israel.'" While there are different interpretations of the "beloved community," they all agree that "this inner, intimate beloved community is a spiritual remnant, living and fulfilling its mission within a wider world of men unilluminated and unsaved." That is, it must "mature and ripen its *idea* and finally carry it into the the life of the wider circle out of which it came." The great historical importance of remnant groups is that "over and over again" they "have discovered, preserved, and passed on some of the most precious truths and ideals of our noblest faith of today." The true *remnant-idea*, then, is "the formation of a small prepared group of persons awakened, quickened, vitalized and so made the bearers of spiritual life to the wider world, the 'seed' of an immense harvest."

"Books and articles and public addresses," notes Rufus Jones, "except in the rare cases where they come from the pen or lips of a genius, leave the world pretty much unmoved and undisturbed." But, on the other hand, "the for-

mation of a remnant brings a vigorous challenge. It puts the issue sharply. It breaks the existing lethargy. It disturbs the even tenor of life." Under usual conditions "there is no way forward except by the way of the remnant. The truth must now be matured and tested in a group of persons who accept it with conviction and are ready to suffer for it or stake life on it."

### **Preserving the Faith**

The remnant, says Jones, "possess consciences that are more acute than those of their fellows. They are more detached from the world and more ready than most people to forego the advantages of a successful career and the rewards which go with conformity to prevailing customs, in order to champion the cause of truth and light, and to work for *what ought to be*. They preserve a fundamental faith in the conquering power of truth, and they believe all things, hope all things, and are ready to endure all things, in the great business of making others see what they see."

The individual, continues Jones, "has creative work to do and he has his spiritual additions to make to the score of truth and life. He must, above everything else and as a sacred duty, insist upon his personal freedom as a man, whom

God has made in His own image and likeness. There are occasions when an individual can serve society best and most fittingly, not by yielding to its conventions nor to its historic customs and estimates but by standing out under the compulsion of some vision of advance in the championship of an ideal which ought to prevail but does not yet prevail. If there is vitality to this vision of advance and if it is grounded in eternal reality, it will awaken a response in the souls of others and gather a group of loyal supporters, and thus produce a remnant." The real mission and service of the remnant, concludes Rufus Jones, is to "go forward with a venture of faith and to put its vision of advance, its ideals of what ought to be, into practice here and now. It often means moving along the line of greatest resistance. And it is likely to entail much suffering."

#### **A Responsible Remnant**

The true remnant does not seek privileges but rather is completely willing, even eager, to accept responsibilities. Nor does it wish to withdraw from the world, however unpleasant it may appear to be. A true remnant, if it is to live, must embrace the world, must ever go out into the world performing its rightful mission, working as a leaven in the lump.

A true remnant must do its work with joy. Yes, even in an age such as ours when things seem to be getting worse, not better — "a time of turmoil, war, economic catastrophe, cynicism, lawlessness, and distress," writes R. J. Rushdoony. But, he continues, "it is also an era of heightened challenge and creativity, and of intense vitality. And because of the intensification of issues, and their world-wide scope, never has an era faced a more demanding and exciting crisis. This then above all else is the great and glorious era to live in, a time of opportunity, one requiring fresh and vigorous thinking, indeed a glorious time to be alive."

Shouldn't we reflect, wrote John Bright, "that times that seem evil to us may serve a better purpose than times that are good? This may seem a strange thing to say, but there is much truth in it. The good times that we desire are times of freedom from disturbing bother. But perhaps from the divine point of view they are not. For the purpose of God for us is not the comfort of our bodies or the preservation of our interests, but the discipline of our spirits that we may become truly his people. Let it never be forgotten it is precisely in suffering that the people of God are selected; in suffering they are *known*. The tragedy

of the times, therefore, becomes to us a personal summons to decide for the calling of God and, in tragedy, to serve him. And though we may not see how that Kingdom could come soon, or prove that it will come at all, we will face the dark future with faith and pray for its coming. And we

will take courage. As civilization and material property, nations and churches, are tossed into the caldron of history and seemingly destroyed, we will reflect upon Isaiah's words: "There is always a Remnant, a people of God, a true church. And with these God works his will." ♦

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THE ECONOMICS OF  
**PRICE  
FIXING**

D. T. ARMENTANO

ALMOST EVERY PIECE of price-fixing legislation produces results opposite to those intended. Whether one examines the outcome of interest rate regulation or minimum wage legislation, the lesson repeats itself; interferences with the price system lead to unintended and unexpected consequences. And more, the consequences aggravate the original situation the legislation had meant to ameliorate. Finally, the aggravation caused by the initial legislation generates further clamor for bigger governmental programs and stiffer Federal controls.

At this point even the most informed citizen loses the ability to differentiate sense from nonsense. Thoroughly confused, he resigns

himself to the fact that free enterprise has obviously failed, and that like it or not, it's time that the government "did" something. He is usually completely unaware that it is the government intervention which has failed, and not the free market. The following analysis will attempt to highlight the evidence for this contention.

The most important function of a free price (a price not fixed or regulated by the state) is its ability to serve as an indication of the relative scarcity of a commodity, and automatically ration that scarce commodity to the highest demander. As long as the price of an article is allowed to fluctuate and match the supply with demand, there will be neither surpluses nor shortages, i.e., the market will be cleared at some equilibrium price.

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Government price-fixing destroys the clearing and allocating function of prices. By permanently fixing prices above or below their equilibrium values, the regulation prevents the equating of the available supply to the demand. Thus, short-run surpluses or shortages become inevitable. Even worse, the signals sent out by the fixed prices to the respective consumers and producers encourage inappropriate economic activity which tends to aggravate the original situation.

As an example, when copper prices are pegged below their equilibrium level, a short-run shortage is likely. What is worse, low prices encourage an increase in the demand for copper, as potential users switch away from relatively higher priced substitutes. Likewise, low copper prices discourage the production of copper — already in short supply — since the low prices fail to cover the expected costs of copper production. In a double edge fashion, therefore, the future shortages of copper are exaggerated. Still worse, the excess demand created by the artificially fixed price of copper spills over into other commodity markets where it tends to push up the prices of other commodities or, if these prices are also fixed, cause additional shortages.

### **Shortages and Surpluses**

The confusing consequence of selected price fixing is a combination of shortages on the one hand and price increases on the other. Although ration cards may be used to link available supply to demand, they neither eliminate the excess demand nor increase the deficient supply. Only a freeing of the fixed price can induce the proper economic responses from both buyer and seller. Whether the subject is a water shortage (the price has been fixed at zero for decades), an apparent shortage of city apartments (rent controls), or a money shortage (interest rate regulation), the consequence of fixing prices below their equilibrium values is only too obvious.

Similarly, prices fixed above equilibrium generate surpluses. The inescapable consequences of a farm program or a minimum wage bill are farm surpluses and labor surpluses. Nor is this the end of the mischief; there are deeper and more intangible economic consequences beneath the surface. Unwanted farm surpluses are composed of scarce economic resources or factors of production, and these could have gone into the production of something that consumers really wanted. Likewise, unemployed labor is totally unproductive; if employed, no matter

what its wage or productivity, it could have contributed to the production of needed output. Both artificial surpluses are an economic waste; in a world of unlimited human wants and limited factors of production, they are an economic tragedy of the first order.

### ***Making Crooks of Those Who Serve***

As a final point, price-fixing induces economic and political behavior which attempts to circumvent or exploit the consequences of the artificial price. Black markets develop and substitute for "free" markets; consumers and producers who wish to buy and sell on mutually agreeable terms become lawbreakers. Those sellers of goods or factors with artificially high prices seek to extend their advantage through addition-

al legislation. With premiums on pressure-group tactics, and penalties on legitimate enterprise, a deterioration of the proper atmosphere for economic activity is inevitable. In addition, the public becomes confused, and the confusion mistakenly ferments into a distrust of capitalism. The rest of the story is the economic history of the last seventy years.

To a careful observer, the facts are clear. Fixing prices of particular products or factors can only serve to generate surpluses or shortages, trigger price increases in selected markets, and continue to misallocate scarce economic resources. It is time that students of society concerned with wealth and welfare placed the responsibility for these evils where they rightfully belong. ◆

### IDEAS ON LIBERTY

### ***The Law of Duty***

NO MAN, I affirm, will serve his fellow-beings so effectually, so fervently, as he who is not their slave; as he who, casting off every other yoke, subjects himself to the law of duty in his own mind.... Individuality or moral self-subsistence is the surest foundation of an all-comprehending love. No man so multiplies his bonds with the community as he who watches most jealously over his own perfection.

WILLIAM ELLERY CHANNING, May 26, 1830

# Antitrust and the Fear of BIGNESS

HAROLD M. FLEMING

IN THE LENGTHENING annals of the antitrust laws, the present decade, their seventh, may well go down as the "era of merger-busting."

The Supreme Court has given the government lawyers an unbroken series of victories over mergers, so decisive that today a brief note from the Antitrust Division is enough to block any merger; no large company would think of buying any but a bankrupt competitor; and the legal prospects for any merger or acquisition by any of the nearly 100 companies with 1966 sales of a billion dollars or over are a hazardous guess.

The basic trouble with mergers

is that they make big ones out of little ones, whereas antitrust enthusiasts would rather see a lot of little ones, of what might be called "polyopolies" (many sellers) where there are now what are fashionably called "oligopolies" (few sellers).

Among the more important of this decade's high court anti-merger decisions was that of last April 12, requiring the big soap-and-detergent company, Procter & Gamble, to disgorge its acquisition, nearly ten years ago, of the Clorox Chemical Company, largest maker of household liquid bleach.

That the opinion was written by Justice Douglas was no surprise. The Justice is strenuously on record as against the "curse of bigness" (Columbia Steel dissent) and the "virulent growth of mo-

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nopoly" (Standard Stations dissent), and candidly revealed his view of mergers in general three years ago. In reviewing a new biography of Louis D. Brandeis, he wrote that Justice Brandeis had:

proved over and over again the truth about mergers — that economy in operations was a false purpose, that the growth of power and strengthening of monopoly were the real purposes.

*New York Times Book Magazine,*  
July 5, 1964

In the face of such ardor, the acquisition by the biggest company, in a big industry, of the biggest company in a small industry, didn't stand much chance.

However, the decision was not just Douglas speaking. The opinion was 7 to 0. Nor was it just another merger case. This was a major decision in the burgeoning field of "conglomerate" mergers. Habit and history lead the layman to think of mergers as between competitors — that is, "horizontal." This was a "product-extension" merger. And sheer size was an important consideration.

#### **Story of a "Product-Extension" Merger**

Liquid household bleach, which is easy to make, sells mostly on advertising. The Clorox people, after building their company up to doing nearly half the nation's business in this item, proposed a

merger to P & G. The latter's research people figured the acquisition was a natural. Clorox bleaches sit on the same grocery shelves with Procter's goods, and could be economically handled by its marketing people. Even more important, Clorox could be advertised, especially on TV, at the exceedingly low quantity rates enjoyed by P & G as the biggest TV advertiser in the country.

The researchers reported that P & G *could* invade the bleach market *by itself* but that acquiring Clorox would make entrance vastly cheaper. In August, 1957, the merger was made. In September, 1957, the Federal Trade Commission issued a complaint against Procter & Gamble, charging that the merger had violated Section 7 of the Clayton Act as amended by Congress in 1950.

The F.T.C.'s final order (Docket No. 6901, November 26, 1963) written by Commissioner Philip Elman, was thorough and scholarly, and in effect "threw the book at" P & G, including the doctrines of oligopoly, incipency, potential competition, internal expansion, and social purpose.

The opinion spelled out the cost advantages of the merger, particularly in advertising, but then said that these were "offensive to the spirit . . . of the antitrust laws" because they were "achievable

only by firms of very large absolute size," and "more important . . . there does come a point at which . . . mass advertising loses its informative aspect and merely entrenches market leaders. . . ."

But the gist of the objection appeared to be that, by such acquisition, a giant company had taken over nearly half a pigmy industry.

The Supreme Court went even further. It ruled that the acquisition was illegal because of P & G's "huge assets and advertising advantages," and that "possible economies" from the merger "cannot be used as a defense."

(As did the F.T.C., the high court based its finding on the allegedly *anticompetitive* effect of the merger; it found that it tended to "substantially lessen competition." This is a quirk in antitrust interpretation which may, but shouldn't, confuse the layman. By it, a big-company action that, it is feared, will *aggravate* competition, is condemned for threatening to *lessen* it. This is a dialectic device, built on the "oligopoly" theory, that the fewer and bigger the sellers, the more sluggish the competition.)

### **The Will of Congress**

But whatever one may think of the views expressed in this case by the F.T.C., and the Supreme

Court, it would be hard to argue that they stretch the letter or the spirit of the law on mergers since Congress drastically rewrote it in 1950. The debates and reports on the Celler-Kefauver Anti-Merger Act of 1950 made it explicit, not only that all kinds of mergers were affected, but also that relative size was an important Congressional concern.

Thus, for instance, the House Report listed as among the results it wanted to prevent, an "increase in the relative size of the enterprise making the acquisition to such a point that its advantage over its competitors threatens to be decisive."

(And, perhaps odd to relate, both the F.T.C. and Justice Douglas may deserve some of the credit [or blame] for this. The Commission's 1948 "Report on Mergers," which was grist to the legislative mill, said, "There are few greater dangers to small business [sic] than the continued growth of the conglomerate corporation." And the Supreme Court's 1948 approval, in the Columbia Steel case [334 U.S. 495] of "Big Steel's" acquisition of a West Coast steel fabricator — including Justice Douglas' fiery dissent—is widely thought to have added to the steam under the antimerger bill.)

But antibigness, in some form,

has built the steam under all the antitrust laws. They were designed to cope with the supposedly dangerous powers of big companies. Thus, Congressman Wright Patman once testified of the 1936 Act that bears his name, "One certain big concern really caused the passage of this Act — the A & P Company." The 1914 debates over the Clayton bill were studded with references to Standard Oil. And of the original 1890 Sherman Act itself, Supreme Court Justice O. W. Holmes dryly remarked in his 1904 Northern Securities dissent:

There is a natural feeling that somehow or other the statute meant to strike at combinations great enough to cause just anxiety on the part of those who love their country more than money, while it viewed such little ones as I have supposed with just indifference.

This notion, it may be said, somehow breathes from the pores of the Act, although it seems to be contradicted in every way by the words in detail.

### **Business Morals and Business Size**

This size-consciousness causes many of the paradoxes and contradictions in antitrust. For in practice it applies different standards of conduct depending on business size — on the principle, once stated by Justice Brandeis, that "a method of competition fair

among equals may be very unfair if applied where there is inequality of resources." To fit this concept into Anglo-Saxon legal traditions is not easy. In previous decades this antitrust double standard has involved all kinds of issues, from "share-of-market" to "predatory pricing," plaguing legislators and the courts with the problem of how to write and interpret laws that will allow some businessmen to do things that others may not do. In the recent Clorox case Justice Harlan, in a long concurring opinion, asked for some standards "for application to mergers that . . . previously haven't been considered in depth by this Court."

The perennial problem was put in perhaps its sharpest focus over 50 years ago, in 1914. Speaking for the Conference Report on the Clayton bill, Senator Walsh said:

. . . it was found no easy task to frame a statute which would reach the case of a plundering monopolist . . . but not be oppressive to a struggling industry contending for trade against a competitor enjoying a practical monopoly . . . and supported by unlimited capital.

The problem, in essence, is to determine how far a firm's competitive success may be due to its sheer size and resources, rather than to its managerial skills, low operating costs, far-sighted planning, and use of ingenuity, imagi-

nation, innovation, and improvement. For a reasonable businessman, even after he dismisses from the subject the unrealistic notions, the emotionalism, and the political maneuvers, may yet wonder whether size alone doesn't somehow give some "unfair" competitive advantage which deserves to be prevented by law.

### **The Standard Oil Legend**

The primal source of such misgivings lies in the legend of the Standard Oil Company. The mythology of that company's rapid growth from the late 1860's to the achievement of a near monopoly of refining in the late 1870's, and of how it held most of that position for over a quarter century in the fiercely competitive oil business, has heavily influenced anti-trust thinking for 70 years.

It may seem strange that impressions so misleading could have developed in so few decades. The Rockefeller combination was exhaustively investigated and reported on around 1900. And the hearings and briefs which led to the 1911 dissolution filled 21 volumes of over 12,000 printed pages. Yet the folklore of Standard Oil varies widely from the facts.

The principal item in the legend is that the Rockefeller group rose to power by "predatory" price cutting. The story is that Standard

used its "monopoly power" to invade areas it wanted to do business in; that it then cut prices low enough to ruin those already there; and then moved in.

The main facts in the story are as follows. Rockefeller and his early associates aimed at a monopoly in *refining*. And, in a single decade, the 1870's, they nearly achieved it. In doing so they took in the heads of most of the larger refineries they acquired, as partners, associates, or fellow shareholders — a policy unlikely to work if preceded by one of forcing them into bankruptcy. Competitors joined Standard partly because they were impressed by the Rockefeller group's business abilities, and partly because of a general feeling that some such combination was the only escape from the ruinous ups and downs of the oil industry at that time. A large number came in, for instance, in 1875, after the wholesale price of kerosene had dropped 50 per cent between 1872 and 1874.

Standard never tried for a monopoly or anything near it in *marketing*. Nor, with a near monopoly in refining, would this have made business sense, any more than for a toll-road company to build two toll-houses only a mile apart. Standard Oil, and John D. Rockefeller personally, favored large volume at a narrow margin of

profit — just as, 50 years later, the Great Atlantic & Pacific Tea Company, and John Hartford personally, favored large volume at a narrow margin of profit.

Standard's low-markup retail policy, nearly a century ago, turned out to be as provocative of political repercussions as A & P's turned out to be, in recent memory. Half the testimony in the 12,000 printed pages of the 1907-08 hearings concerned Standard's marketing.

### **Genesis and Growth of the Legend**

With its 80-odd per cent of the country's refining capacity, Standard automatically became much the largest buyer of crude oil in the early fields. This was a politically hazardous position in itself. When, for instance, the Bradford (Pennsylvania) field, huge for those days, was brought in, in 1877, the unprecedented flood of oil drowned prices; and Standard became very unpopular in the oil fields.

Thus, by the 1890's, Standard had highly vocal enemies at both ends of the business — producing and marketing — just as now, though in much milder degree, do the present-day oil-industry "majors."

In 1894 Henry Demarest Lloyd published *Wealth Against Commonwealth*, and gathered into it

every allegation he could find against Standard, observing that "they made oil poor and scarce and dear.... The unfittest, economically, survives. . . ."

Standard also fell afoul of the newspapers. This was the dawning age of sensational journalism. In its issue of May 16, 1897, the *New York World* printed a feature article which said of the company in part:

There has been no outrage too colossal, no petty meanness too contemptible for these freebooters to engage in. From hounding and driving prosperous businessmen to beggary and suicide, to holding up and plundering widows and orphans, the little dealer in the country and the crippled peddler on the highway — all this has entered into the exploits of this organized gang of commercial bandits.

In 1902 Miss Ida M. Tarbell, sister of an executive of the Pure Oil group, one of Standard's rising competitors, started a serialized history of Standard Oil in *McClure's*, the best-known muckraking magazine of the day; the history was published in book form in 1904. It was full of contradictions and errors of omission but tremendously popular. It had a chapter headed "Cutting to Kill," which probably had more effect on public opinion than all the articles written on antitrust before or since.

### **The Court Decision**

The Department of Justice brought suit in November, 1906. Hearings went on for 15 months. The government lawyers contended chiefly that:

1. Standard's kerosene prices varied widely from one area to another, and were lower where competition was strong and higher where it was weak.

2. Standard sometimes cut prices below cost.

3. In many cases Standard's methods limited independent marketers' territories, or even destroyed their businesses, after which prices were promptly raised.

4. By such tactics all over the United States, competition had been substantially destroyed or limited.

To the price-cutting charges the Standard lawyers in most cases replied with evidence that Standard had not cut until competitors did. (If so, this has a parallel in modern gasoline markets. The largest marketer may often move first in a rising market, but seldom, if ever, in a declining one.) They also pointed out that the government lawyers had been able to allege such charges in only 37 towns, while the Standard companies had been selling in 37,000.

On November 20, 1909, a bench of four Federal judges in St. Louis unanimously found Stand-

ard guilty, on the uncontroverted fact that in 1899 nineteen competing or potentially competing companies had been put together into the Standard Oil Company of New Jersey. This was combining and conspiring to achieve an unlawful monopoly — an open-and-shut case.

As for the thousands of pages of testimony, running back 30 and more years, on unfair competition and predatory practices, the judges simply skipped them, making no specific finding of intent to defraud or to compete unlawfully.

Eighteen months later, in May, 1911, the U.S. Supreme Court trod unanimously the same judicial path. Justice White's opinion showed particular interest in how the combination had been put and held together; and found that the company had both intended and achieved monopoly and restraint of trade. But this opinion also walked right around what it referred to as the "jungle of conflicting testimony covering a period of 40 years."

Some 47 years later, a University of Chicago professor actually *did* read through the "jungle of conflicting testimony," and summarized his findings in a 30-page article in the *Journal of Law and Economics* (Vol. 1, 1958: John S. McGee, "Predatory Price Cutting: The Standard Oil [N.J.] Case.")

In marketing, he found less than a dozen small oil dealers whose exit from the business appeared to have had anything to do with local price cutting. In refining, he found "no evidence that predatory price cutting was used to depress asset value of the more than 120 competitive refineries that Standard bought." He concluded:

Anyone who has relied upon price discrimination to explain Standard's dominance would do well to start looking for something else. The place to start is merger . . . What this study says is that Standard did not achieve or maintain a monopoly position through price discrimination. The issue of whether the monopoly should have been dissolved is something else.

### **"Cutting to Kill"**

No one in 1911 seemed to notice the high Court's studied disregard of the market strong-arming charges against Standard. They had already passed into legend. In 1912 a prominent economist, John Bates Clark, in a book, *The Control of Trusts*, listed some of the alleged obnoxious practices of large firms, including "...the familiar (sic) practice of cutting prices locally . . . (or) the cutting of the price of some one variety of goods which a rival makes, in order to ruin him." He said that "the suppression of these policies would go far toward rescuing competition,

protecting the public, and insuring to it a large share of the benefit that comes from economy in production."

Congress tried it. The overwhelming part of the 1914 Congressional debate on the Clayton bill concerned "predatory price cutting," and resulted in Section 2, making it unlawful to discriminate in price between customers "where the effect may be to substantially lessen competition."

But in the next 24 years, that is, until Section 2 was rewritten by the Patman Act, the number of such cases brought under Section 2 was negligible.

Price cutting, for any purpose, costs money. To consider its profitability, apart from its morals, the simplest way is to look at it as though through a banker's eyes. How much will it cost? and just how are you going to profit from it?

Like a military war, no one knows how severe a commercial price war may become. But one thing is pretty certain; while it lasts, the big company on the offensive will be losing more money than the little one on the defense. Meantime, the small competitor, instead of scaring, may close down for a while and let Mr. Big go on losing money. And even if the small firm goes broke, there's only a slim chance that the

big one can take over its business for nickels. If the big firm is shooting for a monopoly, somebody may buy up the bankrupt property for its scarcity value; but if the big competitor is just one of many, it may shoot its deer but then see one of its competitors get the carcass.

But just suppose the big competitor *does* win. Then how does he recoup his losses? By raising prices to a normal level? That will take a long time. By raising them to abnormal, above-market levels? That is an invitation to outsiders to come and join the fun.

Of price wars today, the most conspicuous and colorful are those in gasoline. They do not fit the predatory-pricing legend at all. They are started by sellers of all sizes, whose calculations have but one thing in common — a belief that they have some advantage, innovation, improvement, or low-cost supply source that will enable them to come out ahead. Of the predatory-pricing notion, a gasoline marketer some years ago made the classic comment:

One of the fallacies often advanced is that so-called leading marketers reduce prices to drive out competition so that they may later enjoy a monopoly.

That is like trying to sweep back the ocean to get a dry place to sit down. Competition is impelled by im-

personal forces that never scare, and never hesitate for long, and would move in immediately when prices were restored — offering little opportunity for a single marketer to recoup his losses.

As a practical matter, selling below cost to drive out a competitor is a sure road to bankruptcy.

The notion of long-time gains to be made by short-time price raids in geographic markets has numerous variations in other kinds of markets. One was quoted above — “the cutting of the price of *some one variety of goods* which a rival makes, in order to ruin him.” There are many others. Any company making diversified goods, selling to diversified customers, or having some vertical diversification, may be charged, at some point in its business, with using its “power” to sell at “unfairly low” prices with competitive malice aforethought.

Such allegations are frequently compounded with the even more fanciful notion that losses in one product line, customer category, market division, or vertical stage of a business may or will be indefinitely “subsidized” from the others. The preposterous findings against A & P in the 1940’s were a striking instance; but such thinking now permeates the F.T.C.’s antimerger cases (though not present in the Clorox case).

The fact is that no well-run profit-seeking management maintains any marketing operation, product line, customer classification, or vertical stage of output any longer than it holds out a reasonable prospect of yielding a worthwhile profit.

In sum, the "unfair" or "uneconomic" advantages of size in business have been greatly overrated. Antitrust is sometimes called a form of "social engineering." If so, its theories about big-versus-little competition are in much need of clarification. ◆

#### IDEAS ON LIBERTY

### *A Thank-You Note*

TO ALL BUSINESSMEN, much maligned for your exploitation, my thanks for the exploiting you have done to me. Without you I would still be doing my laundry in the stream and drying my clothes on a rock. Without you I would still be walking, or traveling astride a horse at best. I would still be weaving my own clothes, and never dreaming of "wash and wear." I would have to cook over an open fire in shells or some other natural substance.

Thank you for making possible the hospitals that have saved my life; the operating rooms and the anesthetic that make surgery possible.

Thank you for so many things: my television, my radio, my lawn mower, and the ability to own a house because you gave me a job. I sit here at the typewriter you

made available and look around me at all the things that would be missing if you had not been motivated by profits or a problem to solve; my lights, gas, and indoor plumbing; my electric blanket, waffle iron, and dishwasher; my electric toothbrush, watch, and vacuum cleaner. Thank you advertising men for telling me of all the new products available.

Dear businessmen, I thank you from the bottom of my heart for making my life easier and giving me the time to write notes like this. I could not have done all this alone; bless you for doing it. The books I read, my piano, my tape recorder were priced low enough because you were able to mass-produce them. The money you have made, my friends, you earned. ◆

PATRICIA CARNEY,  
a free-lance writer in California



## NEVER END

RAYMOND MOLEY, who recruited the original Brains Trust for Franklin D. Roosevelt, broke with his boss in 1936 "without rancor or incident" because he feared the "hobgoblin atmosphere" that had developed in New Deal circles. He had learned much, and changed many of his own opinions, in the course of serving a consummate politician who, as he thought, had come to enjoy power too much for its own sake. Now, after thirty years, he tells the story of his four years with FDR in a fascinating and somewhat ambivalent book called *The First New Deal* (Harcourt, Brace and World, \$12.50).

The implication of the title is that there were many subsequent New Deals, most of them come-downs from the one which, as Moley puts it, "saved capitalism

in eight days." The Moley history of the first of the Rooseveltian adventures in quarterbacking is marked with what Professor Frank Freidel describes in a foreword as "respect for the facts and . . . precision in handling details." Moley himself pays tribute to his assistant, Elliot A. Rosen, who spent five years examining Moley's own papers and those of "many contemporaries in various depositories." After Rosen had completed his work, Moley spent "nearly three years" on his own written account, doing a good deal of additional research. The result, as he says, is a "story," meaning that it is history as it appears to one who played an intimate part in the unfolding of great events.

Ray Moley's character is complex, and his long life has been

spent in the pursuit of truth. To quote Lytton Strachey, he is "no striped frieze, he is shot silk." He grew up in the Western Reserve area of Ohio in the years following the big depression of the nineties, when the ideas of Henry George were percolating in the minds of Moley's fellow Ohioans, Mayor Tom Johnson of Cleveland, Brand Whitlock, and Newton D. Baker. As part of the Progressive Movement, Moley shared some of its mixed motives, wishing to combine free enterprise with surveillance and control by the state. No trust-buster, Moley was impressed by the thinking in Charles Van Hise's *Concentration and Control*, which argued that large corporations were inevitable and "should be controlled at the national level of government." This put him at odds with Justice Brandeis and Felix Frankfurter, and his departure from the Roosevelt entourage in 1936 came at a time when the Frankfurter influence was in the ascendant. The "second New Deal," which featured the TNEC investigations, the attempt to pack the Supreme Court, and the witty fulminations of Thurman Arnold against monopoly, was certainly not to Moley's taste.

### **Moderation in All Things**

However, as his reflections on the "first New Deal" make plain,

he now thinks that the attempt to "control" business at the "national level" can be as pernicious as Brandeisian trust-busting. Moley still defends the early Rooseveltian measures on the pragmatic ground that something had to be done quickly to revive the confidence of a badly shaken nation. Since the object was achieved, the impact of the so-called "hundred days" that followed Roosevelt's first inauguration was in his opinion good. The trouble, as he now sees it, is that Roosevelt didn't know when to relax. Politics led FDR to make a whipping boy out of the "economic royalists" during that 1936 campaign. But there was little need for the superheated rhetoric; Roosevelt had his victory in the bag anyway.

Moley denies that the early New Deal was "homogeneous." The idea was to push action "on many fronts" in order to gain a "psychological effect." Some of the measures were designed for relief, some for recovery, and only one or two, such as the TVA, were for reform. The hope was that a climate would be created "in which natural forces would assert themselves." A passive Administration, says Moley, never would have succeeded.

In short, as Thurman Arnold put it in his cynical *Folklore of Capitalism*, any action was better

than no action. Hoover had failed to comprehend this, and so the country turned on him.

### **To Whom Credit Is Due**

Moley's book is wholly objective when it comes to distributing the credit for the "first New Deal." The closing and opening of the banks was carried out in accordance with a script written by Herbert Hoover's own Treasury officials, Secretary Ogden Mills, Undersecretary Arthur Ballantine, and acting Comptroller Francis Gloyd Awalt. It was Awalt who determined which banks were solvent, which were insolvent, and which reflected doubt. If Hoover hadn't waited on Roosevelt to move in the banking crisis, he might have gotten credit for saving the day, for his own officials had shaped all the tools which Roosevelt and his first Secretary of the Treasury William Woodin promptly put into use.

Moley was a Roosevelt agent and emissary in London at the great international economic conference that flopped so badly. His account of the failure shows Roosevelt at his worst. The American delegation was supposed to work out a compromise on international stabilization that would give something to the "gold" countries yet permit American domestic price levels to rise to a point that would

save the nation's debt structure. But, after letting Secretary of State Cordell Hull and British Prime Minister Ramsay MacDonald labor under the illusion that something might come out of the conference, Roosevelt finally decided to throw the "bombshell" that wrecked the whole affair. Roosevelt, says Moley, was in pursuit of "that old phantom, a commodity dollar." While Moley believed, with Roosevelt, that domestic recovery was the more important issue in 1933, he considers that the President's rejection of a compromise declaration on international monetary stabilization was "unwise, capricious, and, in form and substance, economic nonsense." Ray Moley was not for the commodity dollar.

Nor, as it turns out, was he for a permanent NRA, or for permanent involvement in central planning for agriculture. In the NRA, Administrator Hugh ("Iron Pants") Johnson fell victim of his own optimism. Moley argues that "Roosevelt might best have terminated NRA" and permitted the "old forces of competition," which "despite their often ugly mien are the lifeblood of progress," to take over. Similarly, the AAA idea of crop limitation was not designed for the ages. It had a short-term practical validity in the depressed years of the early

thirties. But modern agricultural practices, with new fertilizers, new insecticides, and new machinery, make voluntary crop limitation a will-o'-the-wisp. For that matter, if there had not been the Dust Bowl conditions in the middle thirties, even temporary crop limitation would probably have failed.

### **The Parting of the Ways**

Moley came to reject Roosevelt because he felt the Democratic Party was changing to become an instrument of class war. "I was a conservative by instinct," says Moley. In his early days as a college teacher he believed that the two political parties should represent sharply different philosophies. But after his Washington experience he decided that a blurring of lines could help keep the nation from being torn apart. Originally he had accepted Charles Beard's theory that the Constitution had been made by and for a selfish propertied class. But after working with congressmen and with departmental administrators he "rediscovered the Constitution as its makers had designed it." He went back to James Madison, who knew that "ambition must be made to counteract ambition." With war brewing in Europe, Moley thought that Roosevelt's revival of "internationalism"

would "shake our constitutional fabric at home and imperil the liberties of our people." This hasn't happened as yet, but if the cycle of wars continues the U.S. may yet be bled white. Finally, Ray Moley decided that there must be "freedom" for billions of individual decisions in the marketplace. Roosevelt, he came to realize, just didn't understand modern industry's need for a "diffusion of decision-making."

So Moley, who had believed in Van Hise's *Concentration and Control*, bowed out of the Roosevelt party. The party, as he says, had left him. But there is more to it than that. The truth is that Ray Moley had really learned something by his experiences. The centralizer had become something of a libertarian. FREEMAN readers should arm themselves by taking note of Ray Moley's intellectual odyssey. ◆

► **DEEPER THAN YOU THINK** by Leonard E. Read (Irvington-on-Hudson, New York: Foundation for Economic Education, Inc., 1967, 208 pp., \$2.00 paper; \$3.00 cloth).

*Reviewed by Alexander Evanoff, Professor of American Studies, Department of English, Indiana State University.*

**MOST LIBERTARIANS** are political economists. Leonard Read has a

third interest — Religious Philosophy. *Deeper Than You Think* opens with a "Prologue" and closes with an "Epilogue" and both are invocations and pleas to Self-Action, Self-Direction. Between the Epilogue and Prologue is a treatment of macro and micro economics, a formula for happiness, a delightful exposition of economics for boys and girls (as useful for me as for the young); a moving exposition on pride. He treats of the origins of power, the origins of knowledge; the limits of political action; the limitations as well as the possibilities of men (Utopia can never come Now because the perfectibility of Men can never come Now); the source of ideas; altruism, self-interest; poverty and impoverishment of the soul; giving and owning (nothing can be given which is not first of all acquired); and the Myth of Federal Aid. His subject is Freedom, Man, God, Government, Politics, Economics, and Teaching. And he is not abashed by the word God and not ashamed to use it. The impetus and drive of the book is to inspire and to motivate others to self-discovery; there is no propensity to make carbon copy Leonard Read's.

Mr. Read's expositions possess both simplicity and profundity. And each exposition is carried down (or up) to first causes. His

treatment of economic problems is lucid and uncompromising: "I honestly believe that TVA and mail delivery, for instance, should be turned over to private ownership and operation, that labor unions should be divested of the right to use coercion in any form, that medicare, compulsory social security, and a host of other socialistic programs should be abolished forthwith."

*Deeper Than You Think* is an impressive collection of ideas which I assume may often be as mystifying to some libertarians as to the occasional welfare-statist who may accidentally encounter them. Leonard Read's pronouncement that "regardless of pretensions to the contrary, only now and then can a person be found who does not advocate some coercion for a laudable end" is most discreetly and politely intended to apply to libertarians as well as to the something-for-nothing "liberal." The tendency to coercion, though perhaps weaker among libertarians, is surely not entirely absent, and this tendency Leonard Read links to pride and the Golden Intellectual Calf of one's own creation. Read is attempting to teach the most difficult of all things to teach: the methods of self-growth, self-development, self-evolvement, and many of the corollaries requisite to that end, e.g.: (1) A

free market. (2) The freedom of choice on which all growth depends, and the blessed privilege of blundering from which a paternalistic government would altruistically deprive us. (3) The existence of a Divine Source which we must seek to understand and unite with more fully, and on which all depends.

The author understands and would seek to make understandable that all beliefs and all ideas which one may hold are only a measure of one's own growth and development. "As the Eye is formed so it sees." And a pint measure will never hold a quart no matter how much one pours into it. And it is as useless a proceeding to berate a pint measure for being a pint measure as it is to glory in one's own capacity for a greater measure, because all "measures" are, in the nature of things, abysmally limited. To glory in one's own possession of Absolute Truth and the superiority of one's own Vision is as if the Finite and Limited were to assume it could encompass the Infinite and the Unlimited. The Incomplete is incapable of Ultimates and Absolutes; it is not itself an Absolute or an Ultimate. All men are Incomplete and on their Way, and all their institutions are impermanent and incomplete scaffolding toward greater and more

perfect achievements. Eternal growth, evolution, and development are posited.

In almost a hundred different changes and variations, Leonard Read affirms: (1) That the truth a man holds is a measure of his development. (2) That one can not insert truths where the requisite development does not exist. (3) That if the requisite development does exist one cannot give anything to anyone which the individual does not already possess in some degree. It would appear that the "truth" need only to be spoken to be believed. If the "truth" is not believed or not accepted, then either such a truth is not a truth or a "truth" not presently intended for the individual or nation to whom it is offered. Everything awaits ripeness. Nothing of value can be enforced.

Leonard Read would probably agree with William Blake that it is impossible to the thought of man to conceive a thing greater than itself; and if a man aspires, he aspires to a more perfect realization of the highest in him, and the highest in him is Divine. William Blake has said that "God becomes as Man is in order that Man may become as God is." *Deeper Than You Think* is a good book; but extremely difficult to review in a short space. ♦

- ✓ To bring forth the best from one's fellow men is the quality of leadership William Henry Chamberlin would have us learn from the late Konrad Adenauer .....p. 387
- ✓ And police officer Jack Morano is suggesting much the same thing in his tribute to a worthy American .....p. 394
- ✓ Admiral Moreell also pursues that theme as he traces the relationships between business affairs, social progress, and the religious life of the American people .....p. 399
- ✓ Henry Hazlitt has said before, but doubtless will need to remind us again and again, that more inflation is no cure for earlier monetary madness .....p. 414
- ✓ "Is freedom worth the candle?" is the question all of us are asking and which Dr. Jack Schreiber here examines in depth .....p. 416
- ✓ Last month, George Roche outlined the history of the use and abuse of political power; now he explores in greater detail some of the modern manifestations .....p. 420
- ✓ One of those manifestations, of course, concerns labor union policies and practices; and these, as Lawrence Fertig shows, mean more inflation .....p. 430
- ✓ Many of the modern political power plays seem to historian Clarence Carson to be a reversion to feudalism — without the stabilizing effects such measures afforded in earlier times .....p. 432
- ✓ Brent Bozell's study of **The Warren Court** spices the pages of "A Reviewer's Notebook" this month .....p. 445

Anyone wishing to communicate with authors may send first-class mail in care of THE FREEMAN for forwarding.

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*Wide World Photos*

IN MEMORIAM:

# KONRAD ADENAUER

WILLIAM HENRY CHAMBERLIN

GERMANY has lost one of her greatest statesmen. Konrad Adenauer faced problems far more difficult than those which confronted Bismarck. As the remains of the 91-year-old Chancellor were consigned to the soil of his native Rhineland, the German Republic mourned the loss of its founding father. He was the individual to whom she mainly owed her rapid return to political and moral esteem and economic prosperity after the fearful ravages of Hitler's dictatorship and the Second

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Mr. Chamberlin is a skilled observer and reporter of economic and political conditions at home and abroad. In addition to writing a number of books, he has lectured widely and is a contributor to *The Wall Street Journal* and numerous magazines.

World War. America and Western Europe had reason to lament the loss of a staunch friend and ally. And the world is poorer for the loss of one who cherished and embodied some of the finest values of nineteenth century civilization.

In the personality and career of Konrad Adenauer, a career which began after those of most of his contemporaries were finished, the man and the hour met with singular appropriateness. It is an old German legend that the famous twelfth-century Emperor Frederick Barbarossa is not dead, but sleeping in the heart of a magic mountain, from which, at the time of Germany's greatest

need, he will emerge as his country's savior and preserver. Although free entirely of the extreme racist nationalism of the Nazi era, Adenauer has made this legend come true. He combined some of the best qualities of the Old Germany — devotion to duty, willingness to work without stint or limit — with a keen and just appreciation of the position, needs, and limitations of the New.

In order to appreciate the magnitude of Adenauer's achievement one must think of Germany, not as the busy, prosperous land of today, but as the broken, prostrate country of the first postwar years. Large parts of her cities were great masses of rubble. Her currency was worthless. The country was divided into four zones of occupation. Her people were reduced to a near-starvation diet and deprived of hope to improve their condition in the future by harsh restriction on what Germany was supposed to produce in steel and other industrial goods.

### **Reasonable Goals**

When German self-government, with many limitations and restrictions, was restored in 1949, Adenauer took over as the first Chancellor, or Prime Minister. He set himself a few clear and simple goals, all of which, with one exception, he realized with remark-

able speed and success. A true conservative, in the best sense of the term, he abhorred communism as he had detested Nazism. (Hitler deposed him as burgomaster of Cologne, and he spent part of the Nazi era in prison or in hiding).

Putting aside any idea of trying to play off the victorious powers against each other, the Chancellor committed himself to wholehearted cooperation with Western Europe and the United States. He recognized that Germany could regain freedom and prosperity only as a part of a larger Europe, with the backing of the United States.

A second foundation stone of Adenauer's policy was belief in freedom as the key to economic recovery. So he gave his Economics Minister, Ludwig Erhard, a free hand in sweeping away rationing, controls, the whole network of bureaucratic regulations which had grown up under Nazi rule and had been more or less mechanically continued under Allied occupation.

This wager on free economic enterprise was not simple or easy. There were loud outcries of protest from the socialists who furnished the main opposition to Adenauer. Erhard was denounced for permitting imports of luxuries like cigars and foreign fruits and

vegetables while many Germans lacked an adequate supply of necessities. American and British economic officials, many being of Keynesian persuasion, were horrified. But the experiment in setting Germany's course on a free market economy worked so well that it ceased to be called an experiment and was referred to as "the economic miracle." As Erhard had foreseen, with Adenauer's approval, unrestricted imports paved the way for ever larger exports, regaining and improving Germany's position in the markets of the world. At the same time the inflow of foreign goods created incentives for harder work and a competitive spur to make the reviving German industries improve their quality of output.

A third basic trait of Adenauer's policy was the determination, as soon as possible, to honor Germany's foreign financial obligations and compensate the surviving victims of the Nazi terror against the Jews. Prewar bonds that had been virtually repudiated by Hitler were again honored and punctually redeemed. Large sums were allotted for compensation to individual Jews for their losses and a payment of a lump sum of about \$800 million to the state of Israel. These payments were possible because Erhard's free economy had transformed former defi-

cits in the German balance of international payments into substantial surpluses.

### ***The Straight and Narrow***

The Social Democratic leader in the first years after the end of the war, Kurt Schumacher, sneered at Adenauer as "the Chancellor of the Allies." But Adenauer, a most patriotic German, was anything but a foreign puppet. He reckoned, and correctly, that a reputation for straightforward dealing was one of his best assets for bargaining for the gradual but steady lifting of economic prohibitions and restrictions that had been created for Germany after the end of the war and cessation of the vindictive policy of dismantling German industry. One by one the restrictions came off; the dismantling ceased; and by 1955, equality and sovereignty for the German Federal Republic were accomplished facts.

Of course, the German upward climb to economic well-being was not exclusively the work of Konrad Adenauer. The intensive work of the whole German people was a big factor. Yet, it may be doubted whether any other statesman could have guided the first steps of the young Republic with such a sure and unerring eye for what was possible, and when.

Even the faults and limitations

which Adenauer's opponents denounced were helpful in his role of restoring the regime of parliamentary democracy that had been abolished by Hitler. One of the Chancellor's closest collaborators once said to me in Bonn: "Adenauer is the same man we knew before the Nazi period, when he was burgomaster of Cologne, very hardworking, looking out for detail, intolerant of opposition, very sure he is right."

### **A Firm Hand**

Adenauer knew every trick in the political book and was not averse to cutting corners to achieve his ends. His methods of administration were brusque, not to say dictatorial. But the German people instinctively wanted and psychologically needed the sense of a firm hand at the helm of the ship of state. A reversion to the multiparty wrangling and bargaining of the Weimar period would have been disastrous. Adenauer's conduct of affairs was vindicated by three successive election pluralities and majorities, in 1949, 1953, and 1957, each more impressive than its predecessor.

He was probably at the height of his popular prestige in 1957, when his party, the CDU (Christian Democratic Union), won a clear majority over all other parties. There was a slight setback

in 1961, when he obtained a plurality, not a majority. This has been attributed to the shock caused by the unopposed erection of the Berlin Wall.

An even more enduring testimonial to Adenauer's political leadership was the change of front which his repeated victories imposed on his opponents, the Social Democrats. They had begun by attacking Erhard's free market economy and by resisting bitterly the build-up of German armed forces within NATO. But their actions of the past decade on both these issues amount to an admission that Adenauer had been right. In their Bad Godesberg program, adopted after the Adenauer electoral sweep in 1957, they accepted the free market economy and practically tossed their founding father, Karl Marx, out of the window. And, convinced by repeated rebuffs in Moscow that the Soviet government was absolutely averse to German re-union in freedom, they endorsed German rearming within the framework of a Western alliance.

So, even after Adenauer, at the age of 87, retired from his post as Chancellor, which he had held for 14 years, his main policies prevailed on a basis of general popular acceptance. Still another political success may be chalked up for him. Before the First

World War and during the Weimar Republic, German political parties had been organized along class, religious, and regional lines. Adenauer's Christian Democratic Union was created on a broader basis, including Catholics and Protestants, industrialists, workers and farmers. It was a party that tried to attract all groups in the population. So long as the Social Democrats tried to keep on with their traditional appeal to the industrial workers, more or less ignoring other groups, they went from defeat to defeat. So, in self-preservation, they recast themselves in the image, not of a class party following Marxist lines, but as a "people's party," offering mildly left-of-center alternatives to the equally mild right-of-center policies of the CDU.

***Unification of Germany:  
An Unfinished Task***

One goal Adenauer failed to achieve: the reunion, in freedom, of his country. But this goal was not within the reach of any German statesman. Given the determination of the Soviet Government to maintain its puppet regime in its zone of military occupation, free elections and free institutions for all Germany could have been obtained only by war or threat of war — a risk which Germany's Western allies were un-

willing to take. Even the Social Democrats, who clung for a long time to the hope that German reunion might be bought at the price of political and economic concessions, were finally brought reluctantly to realize that the only kind of United Germany which would be satisfactory to the Kremlin was a communist Germany.

If Adenauer could not achieve reunification, he did the next best thing. He created in the German Federal Republic a society so strong, stable, and prosperous that it served as a magnet to the oppressed Germans in the East, attracting every year hundreds of thousands of refugees, until the barbarous wall of separation was erected in 1961. There will be no doubt as to which of the sundered parts of Germany will take the lead if some unforeseen shake-up in world politics would make reunification a practical possibility.

To have met Adenauer as I have and seen him dominating debate in the Bundestag, not by flowery oratory, but by cool, precise, logical argument, gives an unmistakable impression of an uncommonly powerful personality. One would have to go back to Bismarck to find his equal; and Adenauer's mission of the restoration of a wrecked Germany was more difficult and delicate than Bismarck's welding the other German states

into union around a powerful Prussia.

### **Classical Traits**

Adenauer lived for a quarter of a century in the nineteenth century and both his grave courtliness of manner and some traits of his personality reflect its influence. His tastes in music and art were classical. The slogan with which he won one election, "No Experiments," held good for the cultural as well as the political and economic fields. Yet, there was an element of daring experiment in staking Germany's future on applying economic principles which are contemptuously dismissed in some "advanced" circles as "the conventional wisdom." Certainly, few experiments have been attended by such resounding success.

It is not surprising that the old Chancellor was not highly esteemed by German intellectuals; the lack of comprehension and sympathy was certainly mutual. But Adenauer's guiding moral and political principles, although few and simple and unsophisticated, served him well, especially in the brilliant climactic phase of his career. He knew very well, for instance, the value of honor and the pledged word; and he knew the difference between right and wrong.

This is why he went forward from one success to another, when a more superficially brilliant man, with more complex impulses, might have faltered and failed. The fact that Adenauer's goals were few and clearly shaped in his mind helps to explain his amazing physical vitality and resilience at an age when active life, for most men, has ceased. Adenauer's ability to outwork and outlast much younger subordinates was legendary. When protocol required, he could stand in hot sun or pouring rain, erect, unbending, showing no signs of fatigue. A German junior diplomat told me of an experience with Adenauer when he was visiting Paris. The young diplomat had been given the task of seeing the old statesman to his hotel room after a day of grueling and exacting receptions.

When the diplomat escorted Adenauer to the elevator the latter turned and, with a note of concern in his voice, said:

"Please don't trouble to come to my room. You look tired; go home and try to get some sleep."

Konrad Adenauer was a great German and a great European, a man uniquely qualified for the leadership of his country in the arduous years of recovery from the shambles to which Hitler and his crazy philosophy had reduced the country. He was not a cosmo-

politan figure; he was not fluent in any language but German. But his judgments in international affairs were ripe and sound; there was no more devoted a champion of the ideal of a united Europe, backed by the United States.

On the new Germany that has risen like a phoenix from the ashes and rubble left by Hitler, he placed the stamp of his powerful personality in many ways. The gathering of distinguished foreign statesmen at his funeral was a tribute both to the man and to the

state which he helped so much to build. The principal thoroughfare of Bonn, the Koblenzerstrasse, so often traversed by the Chancellor on his way to his headquarters in the Schaumburg Palace, has been appropriately renamed Konrad Adenauer-allée and his memory will doubtless be honored in other German cities. But Adenauer's best monument would be panoramic views of Germany as she was when he took office, in contrast to what she was when he retired fourteen years later. ♦

#### IDEAS ON LIBERTY

#### *Martin Van Buren*

ALL COMMUNITIES are apt to look to government for too much. Even in our own country, where its powers and duties are so strictly limited, we are prone to do so, especially at periods of sudden embarrassment and distress.

But this ought not to be. The framers of our excellent Constitution and the people who approved it with calm and sagacious deliberation acted at the time on a sounder principle. They wisely judged that the less government interferes with private pursuits the better for the general prosperity. It is not its legitimate object to make men rich or to repair by direct grants of money or legislation in favor of particular pursuits losses not incurred in the public service. This would be substantially to use the property of some for the benefit of others. But its real duty—that duty the performance of which makes a good government the most precious of human blessings—is to enact and enforce a system of general laws commensurate with, but not exceeding, the objects of its establishment, and to leave every citizen and every interest to reap under its benign protection the rewards of virtue, industry, and prudence.



# Epitaph for A PATRIOT

JACK MORANO

A FEW MEN probably hated Pop. They were workers he had caught stealing G. I. rations from the Army depot where he was a guard during the Second World War. He had a special knack for catching them "waltzing out," as he put it, with hams, legs of lamb, and other products or equipment stuffed under their jackets.

It wasn't getting caught that bothered them so much as it was what Pop would tell them in the process. "You bum!" (He said it in a way that went right through you, never jokingly. Calling people names was no joke to Pop.) "Don't you know that some G. I. is lying in some stinking fox hole praying for that? Hope to God it's never your son!"

No one else could say anything

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Mr. Morano is a member of the New York City Police Department.

like that without sounding corny. But Pop couldn't be corny if he tried. And he never tried. His words were entirely spontaneous. And he meant everything he said. What he said came from a terrific pride in America. Pop was a super patriot. He would never have understood that the term is meant to be an insult now. To him it would have been the highest compliment. If you of the new generation find this hard to believe, please hear me. He was no square. He and his kind made the twenties "roar," real swingers in the literal sense of the word, sampling all of life to the hilt but getting their biggest kicks from courage. These were the men of World War I who were proud to be "over there."

Mom screamed as the rifles cracked over his grave that cold February day at Pinelawn Nation-

al Cemetery. When the platoon leader of the burial detail handed her the flag that was draped on his casket, she buried her face in it and sobbed, "That's all I have left — a flag. But that's how you wanted it, Lou, wasn't it? To go out like a soldier — wrapped in a flag." (And how better to remember Pop! For years, at his insistence, we had been the only family in the neighborhood with a full-sized American flag smack in the living room.) I didn't shed a tear. That is the way he wanted me to be — soldier like. But, today, I can't watch a parade without bawling like a baby.

It isn't because of the many parades I had watched with him. Not because he was forever pointing to the flag and saying, "Here it comes, kid — Old Glory! Isn't it beautiful?" It's because I can't help remembering Pop's walk. He didn't just walk — he marched. Not an arrogant, chauvinistic march, but a happy, proud-to-be-alive and *free* type of march. You could spot him in a crowd a mile away because of it. He looked like an Italian James Cagney. "Here comes your Pop," Mom would say. That walk displayed a bold pride, and also concealed the meanest scar you ever saw. A German "eighty-eight" fragment had passed through his thigh, taking

half of it along on the way out. That he hadn't the slightest limp was beyond understanding.

"I knew I was going to get it," he confided to me as a boy. "I had made a promise to St. Joseph that if he got me out of the last show [battle] alive I would say a prayer to him every day. He kept his part of the bargain but I didn't. So I knew one of those ashcans [artillery shells] had my name on it." The force of the explosion hurled him against a tree in the Argonne forest. Not only was he wounded severely, but he and his buddies had another problem. They were caught in a trap. Completely surrounded by Germans and cut off from the main American force, they were the "Lost Battalion." His sister still has the letter from the U. S. Government regretfully informing her, "Your brother Louis Morano was killed in action."

But these soldiers were very much alive, as the Germans were to discover when they sent in a captured dough-boy bearing a beautifully-worded surrender request: "You must be very proud of this soldier. He has refused every question put to him and will only give us his name, rank, and serial number. But we can hear the cries of your wounded from our lines. We beseech you on their

part, for the sake of humanity, there is nothing to gain by resisting further. Surrender and let us treat your wounded."

The American commander read the note aloud to his men. They spared him the agony of making the decision. In direct contrast to the eloquence of the note, they yelled back in their own "Hell's Kitchen" terms, "Come and get us, you Dutch bastards."

The rest is history. The Lost Battalion held out until an American relieving force was able to break through and rescue them. And Pop was soon home.

Home was the East Side of New York City, "where some of the worst hoods and finest men grew up side-by-side," Pop would say. He had a strong conviction that "it doesn't matter where you're from in this country — only where you're going. So long as you have the guts." He told me how most of the "wise guys" and "fast buck guys" he grew up with were now either behind bars or "standing in the East River with cement shoeshines." And when he noted my amazement at how casually he mentioned big-name Mafia leaders who came from his neighborhood, he reassured me, "The Mafia is nothing to worry about, kid. They only push those people who will let them. Like the poor old Italians

who came to this country with a fear of them. But we're Americans, kid, and no so-and-so is going to push us around." One of his favorite mottoes was the one printed on the old colonial flag, "Don't tread on me!"

How Pop resisted pushing was related to me by one of his World War I buddies. A Connecticut "hayseed" when she married Pop, Mom was ill at ease in the gangsterland of the lower East Side where they set up their first apartment. Sensing this, he took her by the hand and marched down to the pool parlor across the street. This was the hangout for the local hoods. "Listen, you guys," he said. And all hands stopped in the middle of their games. "This is my wife, and our apartment is across the street. If I catch anyone near her or it, I'll break his back." Mom got a wide berth from then on, and there was not one case of back trouble on the East Side. Eventually, the Moranos moved to Staten Island.

One of my uncles, who couldn't read or write English, had economic gumption enough to open a dress factory during the depression. Not only did he thus amass a small fortune, but also he put most of my aunts and uncles and a few cousins to work, my mother included. But even with both Mom

and Pop working, there wasn't enough to give my sister and me the education they wanted for us. So Pop began painting murals and backdrops for the local Catholic private school. The nuns in return gave us a break on the tuition. I didn't turn out to be the smartest kid in the school — my sister did; but I was the proudest. During the school plays, I would nudge the kids on either side of me, point to the scenery, and say, "My Pop painted that!"

When we first moved to Staten Island, our neighbors felt sorry for Mom. They heard Pop's gruff, East Side voice and assumed he was a tough of some kind. But they soon knew better. Despite his Bogart-like exterior, he was a gentleman — and an intellectual. Indeed, most people he engaged in conversation (and he did this with total strangers) credited him with no less than a college education. But he had never finished grammar school, having lost both parents at age eleven. The extent of his self-education made him the informal "lawyer" of the neighborhood. Relatives and friends were constantly ringing the doorbell to present Pop with their problems. He helped more people get their citizenship papers than has any nongovernment agency I've known.

One day, at the wedding of one

of my cousins, the music stopped and the band leader announced: "The Japanese have bombed Pearl Harbor." Everyone was crying. I remember turning to Pop and saying, "The Japanese? The Nazis? Can we beat them, Pop?" He grinned confidently and reassured me, "This country has never lost a war and we are not going to lose this one." Chauvinism? No one had more respect than he did for the militarism and resourcefulness of the German people. Hadn't he fought them before? "But free men are still better fighters," he told me.

As I watched every one of my cousins who was of military age (nine in all) march off to war, I couldn't help feeling deeply envious. While Mom was thanking God that I was only nine years old, I was cursing my misfortune. I knew how to be a soldier. Hadn't my Pop taught me the manual of arms backward and forward since I was five? I even knew what Army chow tasted like; Pop always took us to the nearby Army base on "open house day" to eat in the mess halls. Why, at that age I could spot the technical errors committed by Hollywood in the war movies. After all, I had fought through every World War I battle, vicariously, with Pop. I could even tell you how a German

"eighty-eight" sounded on its way over. Like being under a bridge as a fast freight train passes over it. Right, Pop?

There was only one person who wanted "in" more than I did. The recruiting officer must have had his laughs when Pop walked in and tried to re-enlist. He was fifty at the time — to say nothing of his wound. Pop walked out dejected and muttering, "Pansies. You guys are pansies. In my show we were soldiers."

So he had to be content fighting the battles from his armchair through the newspapers, explaining every action to me. His Gods were Ike and Mac. Though traditionally a Democrat, he voted for Ike when he ran for President. Not because of his hero image either, but because Pop was a conservative Democrat. He never forgave himself for voting for Roosevelt, who had campaigned on a conservative platform.

Pop died in February — the month of his birth, as well as that of two other great Americans. Unfittingly for a soldier, he died in

bed, with his shoes off, in the Brooklyn Veterans Hospital. But he was surrounded as he would have liked, by veterans — some of them from his "show."

There was much weeping and wailing at the wake. But being of Italian extraction accustoms one to that sort of thing. What broke me up was when Pop's Jewish buddy walked in. He strode past everyone, and instead of kneeling at the casket in the Christian manner, he just stood there bowing up and down, tears streaming down his cheeks. It must have taken courage because most of the older Italians there probably didn't understand. He said to me as he was leaving, in a voice choking with emotion, "I never met a better American than your Pop."

The tombstone at Pinelawn just reads, "Louis Morano, Company I, 307 Infantry, 77 Division, February 24, 1891 to February 15, 1955." That is the way Pop wanted it: "Army style — plain and simple." But no man who loved his country so much deserves to go without a more fitting epitaph. I hope this will serve. Forgive me, Pop. ◆



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# Business

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# Social Progress

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# & Religion

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BEN MOREELL

IT IS a disturbing phenomenon of our times that those intellectuals who decry the accumulated wisdom of past ages and urge that we discard the time-tested traditions and behavior standards of Western civilization are much sought after for places of distinction in many of our governmental operations, universities, foundations, and similar institutions. Those critics concede, somewhat reluctantly, that although our once-respected traditions and standards may have been relevant, perhaps even useful, in the days of

the horse and buggy, they are outmoded and have no place in this jet-propelled era. In like manner, our "social engineers" assure us that our new-found knowledge of science, technology, civics, economics, and human nature has left the ancient wisdom far behind.

But there are some who dissent. As one who, over the years, has tried humbly to apply the lessons of history to modern problems, I am convinced that unless and until we are able to change the basic characteristics of human nature, the old virtues and values are still pertinent, perhaps even vital for our survival, in this modern age. There is persuasive scientific evidence that the basic nature of man has not changed for at least 4,000 years.

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This article is from an address before the Industrial Information Institute, Youngstown, Ohio, October 27, 1966.

The late Edith Hamilton, world authority on Greek and Roman civilization, pinpointed the issue several years ago in these words:

"Is it rational that now, when the young people may have to face problems harder than we faced. . . we are giving up the study of how the Greeks and Romans prevailed magnificently in a barbaric world; the study, too, of how that triumph ended, how a slackness and softness finally came over them to their ruin? In the end, more than they wanted freedom, they wanted security, a comfortable life, and they lost all — security and comfort and freedom. . . ."

"Are we not growing slack and soft in our political life? When the Athenians finally wanted not to give to the State, but the State to give to them, when the freedom they wished most for was freedom from responsibility, then Athens ceased to be free and was never free again. Is that not a challenge?"

### **Change, for Its Own Sake!**

In face of such questions, frequently raised, it seems fashionable now to discard the old in favor of the new, presumably on the theory that change is inevitable, with its accompanying *non sequitur*, that since all progress results from change, all change makes for progress.

Many of us believe that the imposition of untried theories and untested procedures on a dynamic society is perilous and that changes in such an organism should be evolutionary rather than revolutionary, on the premise that running a jet aircraft into a stone wall is not the best way to stop it!

It is significant that, in recent decades, the areas selected for attack by those who would bring about drastic and immediate changes in the structure of American society have been, first, our basic religious beliefs, and second, the private industry sector of our economy.

The first is highlighted by the noisy and widely-publicized assertions of some theologians that God is no longer pertinent in this scientific age; in fact, that "God is Dead," and man has inherited His throne; weak, witless, sinful man, frequently unable to resolve the problems of his own small household, but supremely confident of his competence to plan and direct the orderly functioning of the Universe!

The attack on the second area, private industry, is evidenced by the rapidly increasing pace of the socialization of all sectors of our economy.

The entire country has careened toward socialism during the past

half century. The Federal government now engages in several thousand businesses in competition with its own citizens, while private business operates in an atmosphere of governmental criticism, hostile suspicion, restrictive controls, onerous taxation, and costly snooping by government agents.

For several generations collectivism has been edging over our landscape like a gigantic icecap. Its progress has been uneven, so some of us have been encouraged to think that we might escape personal disaster by securing a politically privileged sanctuary, that is, by "playing ball" with those momentarily in control of the political apparatus of government. But it is now clear that not one of us will save his skin unless there is a rebirth of freedom for all.

Those two sectors of our social structure, religion and business, which have come under such heavy attack, are closely interwoven and interdependent. Together they have made great contributions to our social progress, and they hold enormous potential for the future.

#### **The Record of American Progress**

There are some who belittle American achievements. But a fair reading of the record reveals that our spiritual, cultural, and

material progress in the relatively short historical period of our existence has been outstanding. I say this without boasting, aware that Americans cannot claim full credit, as we are heirs to the great traditions, accumulated wisdom and skills of Western civilization. The Founding Fathers learned important lessons from Europe's mistakes, lessons which, unfortunately, we now seem bent on unlearning.

Spiritual and cultural progress are revealed by changes in individuals. Thus they are not susceptible of statistical appraisal. But history has demonstrated that where the people are individually free, morally responsible, and self-disciplined, there is a climate conducive to spiritual and cultural growth. There is every reason to believe that America follows this historic pattern.

However, there are valid yardsticks for measuring economic progress. Here is a nation with barely 6 per cent of the world's people which produces almost 40 per cent of the world's goods. Our people have no more innate intelligence than the peoples of the countries whence they came. Our natural resources are no more abundant than those of many less prosperous nations. Furthermore, they lay for centuries relatively unused, supporting fewer than a million

inhabitants. Now they support more than 195 million of our people, who, in turn, contribute importantly to the support of the rest of the world.

### **A Conditional Response**

The progress achieved in America did not "just happen." It came about as the result of certain conditions established here many years ago by the Founders of our Republic.

The governmental system they initiated was founded on the belief that there is a Supreme Being, whom we call God, who rules the Universe and from whom all power and all authority flow. Since all men are creatures of God, each of us is sovereign in his relations with all other men. Furthermore, each is endowed by Him with certain inherent rights which no one, not even a government which acts under authority of an overwhelming majority, can take from him without violating the moral law. These are the right to life, the right to liberty, and the right to accumulate, utilize, and dispose of one's honestly acquired property which, in effect, is the right to sustain his life. To assure those rights our Founding Fathers established a government of strictly limited powers, which were to be defined by a written constitution, and which would

safeguard certain basic freedoms, such as freedom of speech, of worship, of assembly, and others, including freedom of economic enterprise.

Our political forebears held that in the exercise of his God-given rights, each person is individually and morally responsible, his responsibilities being defined by such stern admonitions as the Ten Commandments, the Sermon on the Mount, and the Golden Rule.

There is much historical evidence to indicate that our Founders were committed to the concept that there is a place for God in every area of American life. Most conclusive, perhaps, is the statement by a neutral observer, the gifted French scholar, Tocqueville, who after an extended visit to America in 1831, wrote:

"... whilst the law permits the Americans to do what they please, religion prevents them from conceiving, and forbids them to commit, what is rash or unjust. . . ."

"Religion in America takes no direct part in the government of society, but it must be regarded as the first of their political institutions; . . ."

### **The Preservation of Liberty**

We come now to this important question: What is the proper role of business and industry in the preservation and strengthening of

those principles and practices which account for our incomparable progress?

Since we were conceived as a nation of sovereign individuals, it is clear that we can improve our social structure only as the individuals who comprise it improve themselves. *Any attempt to improve society by imposing improvement on individuals using the coercive power of government is futile!* The use of coercion to effect an alleged "good" destroys individual freedom of choice and erodes moral responsibility. It follows that the development by the individual himself of those positive personal traits which contribute to a good society will result in a maximum furtherance of the higher ends of life, i.e., scholarship, art, music, charity, and worship. Conversely, there are other personal traits which impede or prevent social progress.

### **Minimize Bad Traits**

The question is: Do the forces set in motion by business and industry tend to maximize the good traits and minimize the bad ones? Let us see how business can generate a climate conducive to individual character growth by counteracting such destructive forces as coercion, prejudice, and irrationality.

1. *Coercion.* The greatest enemy

of human progress is coercive force which acts to restrict man's creative energies. There is agreement among political philosophers that political action is coercive. What about business action: Is it coercive? Obviously, the answer is "No." The businessman, as such, has no power to coerce. He cannot force people to buy his goods or services. He may call upon government for special privilege and thus obtain a coercive monopoly. But by doing so he forfeits his status as a businessman and becomes, in part at least, a politician.

The production and exchange of goods and services is a wholly peaceful process. A business society tends to be a peaceful society, if only because peace maximizes the conditions under which the production and exchange of goods are facilitated. And peace is essential for social progress.

The businessman, having no means of coercion at his disposal, relies on education and persuasion. Since everyone at home and abroad is a potential customer, he must cultivate them. The peaceful exchange of goods and services throughout the world paves the way for exchange of ideas. This encourages travel and personal contacts. So, on the whole, business tends to reduce coercion in human affairs.

2. *Prejudice.* A man's judgment can rise no higher than this acquaintance with the facts. Prejudice is a premature judgment based on insufficient evidence. As applied to human affairs, it implies a dislike of some people based on their opinions, their nationality, the color of their skins, or their religion. What does business do about overcoming prejudice? The clear-cut answer is that, in this area, economic considerations should have first priority for the prudent businessman. In general, the businessman does not concern himself with the color of another man's skin—if the color of his money is acceptable.

As an employer, the businessman penalizes himself when he refuses to hire the best available man for the job because of some noneconomic consideration. His business sense dictates otherwise. The same is true when, as a seller of goods, he refuses to make a sale for other than economic reasons. Thus, the mechanism of trade acts to break down the barriers of prejudice.

3. *Irrationality.* In a good society people act in reasonable, sane, and sensible ways, and business disposes them so to act. Modern business rests on technology which, in turn, rests on science. Science and technology demand a high-level, rational pattern of

thought and action. The scientist, the engineer, the business manager must all be rational. Thus, business contributes to the forces in our society which exert a strong pull in the direction of rationality in human affairs.

### **Maximize the Good**

Every reduction of coercion, prejudice, and irrationality affords more opportunity for creative individual development, which contributes to social progress. The elimination of bad conditions might be said to establish neutral ground. Let us see what desirable positive traits are fostered by business. There are at least four important ones: integrity, understanding, reasonableness, and individuality. Let us examine each of these briefly.

1. *Integrity.* No society can cohere for long unless people can trust each other. Nor can a business long endure unless its products represent honest materials and workmanship. Regular customers, an essential for survival of any business, cannot be attracted and held without a quality product. Our entire system of deferred exchanges and credit is based on trust. The enormous network of mutual trust and confidence which underlies our business system is a social force of great power and momentum, headed in

the right direction. It makes for integrity throughout society.

2. *Understanding.* A hermit who grows his own food and produces for his own use consults only his own needs and tastes.

But everyone who produces goods or services for exchange must consult the needs and desires of other people. The businessman must build a clientele. He cannot do this unless he understands the needs of his customers and causes them to feel that he can be trusted to fill those needs, now and in the future, for products they want at prices they can afford to pay.

3. *Reasonableness.* The vital stake which business has in peace tends to create situations in which men seek a reasonable adjustment of their differences instead of fighting about them.

A businessman does not want conflict with his customers; he wants to persuade them to accept his goods. As the atmosphere of reasonableness begins to permeate all of society, people come to appreciate the variety in human life. Instead of a desire to make other people over in their own image, they want every person to progress as far as his personal talents will permit. In a reasonable society no man tries to play God for other men.

4. *Individuality.* To the extent that business and industry enable

persons to take care of the economic requirements of life with a minimum expenditure of time and energy, increasing amounts of both are put at their disposal to be used in whatever individual and creative ways they see fit. Not every person will use them wisely, but if the surplus does not exist, if people are bound down by unceasing toil, there can be no flowering of those higher faculties which I have mentioned. Thus, business provides the essential condition which can release whatever potentiality individuals may possess.

### ***Creative Forces Released***

So we see that business serves people directly by being the most economic instrument for providing goods and services. And in noneconomic matters business is a useful servant to society as a whole, because it releases forces which make for integrity, understanding, reasonableness, and individuality.

It is generally conceded that an individual is most productive when he has a maximum of freedom from restraint, whether his energies find an outlet in religion, in writing, or in thought, or whether he is engaged in the production and exchange of goods and services. And, as a matter of fundamental principle, there is no more warrant for attempting to

clamp political controls on man's energies in his shop than there is to place his energies under political control in his church, his classroom, his editorial office, or his study. If freedom is good in any of these places, it is good in all of them!

### **Attempts of Protectionism**

What can we say about business and politics? There have been few businessmen who have not, at some time, found themselves with goods and services on their hands, but no market. This does not look good on the books, but business is a profit and loss system. If a businessman finds this happening to him regularly he'd better stop making high button shoes and get in step with current fashions. On purely business calculations he would either change his product in accordance with the demands of the market or go out of business. But there are other calculations, unfortunately not always so pure.

Up to about a century and a half ago, the businessman who wanted to keep making high button shoes, or their equivalent, when the market called for satin slippers, would go to the king and get a royal grant of monopoly. This would decree that no one else in the kingdom had permission to make shoes of any kind, which

meant that those who wanted satin slippers could wear high button shoes — or go barefoot. The system was called mercantilism, and by royal patents, licensing, and controls it set up a network of restrictions and made business a branch office of the crown.

It was easy for the intellectuals of the sixteenth, seventeenth, and eighteenth centuries to see what was going on: the king and his favorites had a monopoly on all business and industry, which they were throttling with their controls. In France, in the latter part of the seventeenth century, Colbert, Minister of Louis XIV, asked the manufacturer Legendre, what the Crown could do to help business. The answer became famous. "*Laissez nous faire,*" he replied, "Just let us alone." It was obvious that if the king and his henchmen were stifling business and keeping people in poverty, the remedy was to put the king in his place. And this was eventually achieved.

But the producer-politician alliance did not cease when monarchies gave way to republics. In every age and in every political arrangement there are some who try to keep producing goods for which there is no market, as witness our costly farm program of the past three decades. Such people are putting human and natural resources to wasteful use. The usual

penalty for not using resources as the free market demands is to be forced out of business to make way for someone who will use the resources economically.

### ***Democracy of The Market***

The free market place is a true democracy. Every dollar is a ballot with which the people, by their purchases or their refusal to purchase, decide what is to be produced and who is to produce it.

But ever since the eighteenth century revolutions, which deposed the kings, people have been fascinated by the exercise of political power. At best, political power is wielded by representatives of the people who are responsible to the electorate. At worst, tyrants seize power and wield it despotically in the name of "the people." The worst despotisms in history are the modern totalitarian states, all of which call themselves "Peoples' Democracies."

As a former businessman, I am frank to admit that some businessmen have, knowingly or otherwise, played the political game. For quick returns, they have accepted, and some of them have sought, political favors and subsidies. This fact constitutes about the only argument the socializers have left in their arsenal. They demand more subsidies for farmers, more public housing, aids to education,

medicare, urban renewal, dams, power plants, and many other "Great Society" subventions. To support their arguments they point to some businesses which government has subsidized.

Every businessman, who today refuses to be guided by the popular verdict of the market place and runs to government for help, tomorrow is slated to be controlled or taken over by government, together with his industry colleagues! This confronts every businessman with a serious moral problem. He has a heavy responsibility, not only for the future of his own business, but for the future of our way of life as well.

### ***A Climate for Survival***

It is unfortunate that not enough businessmen have real convictions about the social conditions which are essential if private business, as a relatively autonomous activity, is to survive. They think their job as businessmen is done if they are able to pay wages and salaries to employees and dividends to shareholders and maintain a going concern. But if we accept the thesis that each of us has a duty to preserve the cultural, social, governmental, and economic structures which made our national preeminence possible, it follows that if business is misconceived as an un-

diluted effort for more money to the virtual exclusion of other values, business is not good for society as a whole. In fact, it is not even good for itself!

Without a reasonable assurance of profits, the businessman could not survive as a businessman. But there is more to his responsibility than maintaining profits. Perhaps it can best be summarized by saying that he, together with his fellow citizens, have an obligation to keep alive and healthy the goose which lays the golden eggs.

It is an interesting concept that society is a derivative of the market place. The human community does not come into being except as men are able to exchange their surplus energies in the form of goods, services, and ideas. If every man were self-sufficient, society would be inconceivable. The fact of human interdependence, as men are now constituted, implies the existence of media whereby this interdependence is manifest.

### **Freedom to Trade**

A society is impossible unless there be some exchange, and it is rich and complex in the degree to which these exchanges multiply. And they will multiply unless they are sabotaged. So we need political government to protect exchange against sabotage. But time and again this protective function is

perverted and government itself becomes the saboteur.

Let me suggest briefly what this means. Businessmen should know that the concentrations of power and the collateral responsibilities which are lodged with them must be exercised in the context of American life; that if private business does not assume community responsibilities, a social vacuum is created and government steps in; that bureaucrats are very adept at avoiding restraints with which the electorate attempts to protect itself; that American business must act as though it has a soul; and this is just as important for a huge corporation as for an individual businessman. Those of us in business should know that what we think, what we say, what we do, and most important, *what we are during working hours* cannot be divorced from the responsibilities we must assume as members of society at all hours! Those responsibilities can be discharged only as we participate to the full extent of our talents in the whole life of our communities.

The American social organization is a fabric, the principal threads of which are religion, industry, law, political economy, education, social well-being, and the cultural arts. It is not enough that business should tell the public only of its achievements in its

highly specialized sphere of production and distribution. Unless American business moves into all of these areas at once and vigorously, they will soon be fully appropriated by those who believe and expound doctrines which will ultimately destroy our way of life and our businesses.

### **A Constructive Course**

Where do we go from here? In light of our current national situation, what is the proper area and direction for our energies? It is evident that business cannot afford to sit on its historic achievements, significant as they are, while its past laurels are withering away.

The eyes of the world are focused on us. They are watching to see how far we will depart from those basic principles, defined by our Declaration of Independence and made operative by our Constitution upon which our political forebears erected this great Republic, principles which have been devoutly professed by our people over the years.

It is unfortunate that our two major political parties are now being pulled together by the strong magnet of economic panaceas to be administered by an all-powerful central government, a government which promises to deprive men not only of their God-

given rights, but what is even more disastrous to their survival as moral beings, to relieve them of their personal responsibility to the social order.

It is a mistake to think of this development as the "new look" in political economy. It is as old as history. Those who look askance at constitutional conservatives because of our alleged "nostalgia for the days of McKinley" are themselves striving to have us return to the days of Hammurabi of Babylon, some 4,000 years ago. All of the "welfare measures" now being practiced or proposed as great cosmic breakthroughs were tried then, and many times since. And they have always arrived at the same terminus, a nation of serfs dominated by a small clique of ruthless men. How can we fail to note that while hundreds of millions of the impoverished and oppressed throughout the world are yearning to live under our system, we are moving steadily toward that from which they are trying to escape?

There is, without a doubt, a "new look" in America today, but only because we have lost touch with our original principles. The sixty-five years since McKinley have been the period of The Big Change. In foreign affairs we have long since abandoned our nineteenth century policies of non-

intervention, neutrality, and peaceful trade with all nations. The "new pattern" has been marked by two World Wars, the Korean "police action," and the continuing "Cold War," with our costly involvement in Vietnam and our debilitating foreign aid programs. Domestically, we have witnessed the progressive extension and acceleration of the powers and functions of the central government in Washington and a corresponding weakening of local and state governments.

Government at its several levels now skims off by taxation more than 40 per cent of our total national income. In spite of this, we are steadily increasing our burden of debt. Our Federal debt is at an all-time high and increases each year. In addition, there are hidden obligations accumulated under the social security and government retirement systems, and as guarantees of mortgages and other indebtedness, which amount to hundreds of billions, the total of central government liabilities alone having been estimated recently at one and a half trillion dollars, that is, \$1,500 billions, or \$7,500 for every man, woman, and child in the nation!

The debts of states, subordinate units of government, and public "authorities," as well as pri-

vate indebtedness, have kept pace with that of the central government. Our nation is mortgaged to the hilt! And the process continues. Unbalanced national budgets have become a way of life. During the past five years the national budget has averaged an annual deficit of \$6.3 billions. Since 1939 inflation has reduced the purchasing power of our dollar to about 43 cents, with commensurate decreases in purchasing power of the peoples' savings accounts, pensions, insurance policies, annuities, and other fixed income investments.

#### ***The Moral Issue Involved in Deficit Spending***

There is a moral issue of great significance here. Our political forebears believed that no man has a right to deprive his posterity of their God-given rights by voting away their freedom. Thomas Jefferson considered the act of deferring payment on the public debt the same as enslaving future generations. In a letter to a friend he stated:

There have existed nations, and civilized and learned nations, who have thought that a father had a right to sell his child as a slave in perpetuity; that he could alienate his body and industry conjointly, and . . . his industry separately; and

consume its fruits himself . . . But we, this age, and in this country especially, are advanced beyond those notions of natural law. We acknowledge that our children are born free; that freedom is the gift of nature and not of him who begot them; that though under our care during infancy, and therefore of necessity under a duly tempered authority, that care is confided to us to be exercised for the preservation and good of the child only; and his labors during youth are given as a retribution for the charges of infancy . . . We believe, or we act as if we believed, that although an individual father cannot alienate the labor of his son, the aggregate body of fathers may alienate the labor of all of their sons, of their posterity, in the aggregate, and oblige them to pay for all the enterprises, just or unjust, profitable or ruinous, into which our vices, our passions, or our personal interests may lead us. But I trust that this proposition needs only to be looked at by an American to be seen in its true point of view, and that we shall all consider ourselves unauthorized to saddle posterity with our debts, and morally bound to pay them ourselves.

Our new "Opulent State," centered in Washington, does not tyrannize, but, in Tocqueville's words, "it compresses, enervates, extinguishes, and stupefies a people." The Federal Republic contemplated by the framers of the Constitution is giving way to a Uni-

tary National State, with symptoms of Empire.

This sixty-five-year-old defection from our fundamental principles has been regularly viewed with alarm. But in spite of sporadic opposition to the trend, the momentum from several sources, some theoretical and some expedient, has yearly pushed us further toward collectivism and statism. Both major political parties now bow to this trend. Each goes along with it, one enthusiastically, the other reluctantly.

#### **Majoritarian Tyranny**

I fear that we are drifting into a kind of "democratic despotism" in which the individual is subordinated to undisciplined majorities. The antithesis of majority rule is not minority rule; it is the principle of individual liberty. To secure individual liberty our Constitution places various restraints on majority action. Lincoln spoke of our Republic as "a majority held in restraint by Constitutional checks and limitations." The conviction at the center of our system is that each man has certain inherent rights which it is the duty of government to protect, so that even as a minority of one he has immunities which no numerical majority may invade. No majority has the right, under our system, to impose its religion on any mi-

nority, or to impair its freedom of utterance or to deprive it of property. But under the new dispensation the majority is almighty! All it has to do is to gain control of government which gives it legal sanction to work its will on the rest of the nation. Majority decision at the polls is an excellent way to choose political administrators, but it is a violation of the moral law for the majority to vote away any part of a man's freedom. The majority may have the power to do this, but the right to this action it never has!

Did the election of Mr. Johnson by the votes of 42 million people, which, after all, is only 38 per cent of those who were eligible to register and vote, confer upon him a mandate to impose his will on all 195 million of our people or, *even on one individual* if, in doing so, he violates that person's Constitutional rights?

Our nation was established as a society of sovereign individuals, each of whom was expected to exercise his freedom under God within the moral law. We considered ourselves to be a nation of "uncommon men," each with freedom to choose his own course of action provided it did not interfere with another's freedom of choice, and each accepting the risk of the wrong choice as the price he must pay for freedom. It was under

this system that we made our greatest spiritual, cultural, and economic progress.

But in recent years, many of us have become obsessed with the delusion that there is such a thing as "the common man," and that these "common men" must be herded together by government commissars so that they can be fed, clothed, sheltered, and relieved of responsibility for living! And all this is to be accomplished by computers and automation! America was not built by such fictitious "common men." I choose to believe that there is no such thing as "the common man," except in the eyes of certain politicians. We are all "uncommon men." We built this citadel of freedom with uncommon men. We can save it with the same kind of men. We and countless others like us throughout the nation are the "uncommon men" who will save this "last best hope of earth." Businessmen have shown by their achievements in the rigorously competitive arena of trade and industry that they have the talents to do this if they but have the will!

#### **A Declaration of Rights**

What shall be our guide? In my researches I have found none better than that written into the Virginia Declaration of Rights by

George Mason, in 1776, which reads:

No free government or the blessings of liberty can be preserved to any people but by a firm adherence to justice, moderation, temperance, frugality and virtue, and by frequent recurrence to fundamental principles.

What were the fundamental principles referred to by Mason? I believe they were, broadly speaking, religious principles; not the doctrines and creeds which distinguish one sect or denomination from another, but rather the fundamental belief in God which they share. It was a basic American principle to maintain a strict separation between Church and State, not because of any hostility to religion; quite the contrary. The State was to be secular in order that the society might be genuinely religious and thus self-disciplined. A free society is possible only if it is composed largely of self-disciplined individuals.

These convictions are visible in both the Declaration of Independence and the Constitution. The framers of those documents believed they were transcribing "the laws of Nature and of Nature's God." The supremacy of the Constitution was believed to stem from its correspondence to a law superior to the will of human rulers.

In effect, the Founding Fathers were trying to set up a secular order based on their idea of the pattern laid down by God for man's conduct in society. And as evidence of their faith in the sanction of "divine Providence" for their actions, they pledged to each other "their lives, their fortunes, and their sacred honor."

### ***Dedication to Principle***

Our duty is clear. Let each of us dedicate himself to those fundamental principles bequeathed to us by the Founding Fathers, which served us so well over the years, until we chose to abandon them to follow the Pied Piper of State Absolutism.

Our cue is in the words of the poet Whittier:

Where's the manly spirit  
Of the true-hearted and the unshackled gone?

Sons of old freemen, do we but inherit their names alone?

Is the old Pilgrim spirit quench'd within us?

Stoops the proud manhood of our souls so low,

That Mammon's lure or Party's wile can win us to silence now?

Now, when our land to ruin's brink is verging,

In God's name let us speak while there is time;

Now, when the padlocks for our lips are forging,

Silence is a Crime.



# A FALSE REMEDY

HENRY HAZLITT

THE COUNTRY has been in a mild recession since the fall of last year.

In previous eras not too much concern would have been aroused by a comparable recession (which still leaves the gross national product at new high levels). Some readjustment within particular industries would have been taken for granted. But now, when a thousand doctors nervously take the pulse and temperature of the economy every day, any failure of any index to make a new high record every month causes alarm.

So the government rushes to the rescue. The rescue almost invariably consists of added doses of inflation. The government increases old spending programs and adds new ones. Never mind if government spending has risen in every

one of the last eight years and is now at record levels. Never mind if there have been budget deficits in every one of the last seven years. The spending and the deficits must be pushed still higher. Interest rates must be forced down. The supply of money and credit must be increased.

All this is done on the assumption that we cannot have continuous full employment and prosperity without at least a little continuous inflation—and maybe, at times, a big shot of it.

The truth is that inflation is neither necessary for full employment nor sufficient to secure it.

What is necessary is a workable co-ordination of the price system. This entails a co-ordination of wages and prices. Individual wage rates must be at the levels at which the full labor force can be profitably employed. Prices must be high

enough to keep a profit incentive, but low enough to permit the optimum volume of goods and services to be sold.

Wages and prices are always tending to reach these levels in free markets.

The half-truth in the Keynesian or inflationary theory is that if wages and other costs of production have got too high in relation to final prices, so that profit margins have shrunk or disappeared, an injection of new money or credit into the economy may sometimes raise final prices before it again raises wage rates and so temporarily restore profit incentives and production and employment.

But this kind of prosperity can be kept going only as long as prices and profits can be kept at least one jump ahead of wage rates. It becomes a constant race between the printing press and the demands of the labor unions. It is a race that can only end in gross distortions of income distribution, incentives, and production, in a balance-of-payments crisis, and in falling confidence in the dollar.

This disastrous inflationary race can be prevented only if the gov-

ernment has the will and the wisdom to prevent the continuous imposition of extortionate union wage demands.

This does not mean a wage freeze as in England. It does not mean antistrike legislation. But it does mean the repeal or thorough revision of our present one-sided Federal laws.

It means the removal of the special compulsions put on employers and the special immunities granted to unions. The employer must not be forced to bargain exclusively with one government-certified union. The unions must not continue to enjoy a special license to keep a plant closed by intimidatory mass picketing until their demands are met. The right to strike does not include the right to prevent anybody else from being offered or taking the job that the striker has voluntarily vacated.

Until we restore balanced labor laws, even continuous injections of more money and credit are not going to assure full employment because irresponsible unions will continue disruptive strikes and unreasonable wage demands. ◆

Rx

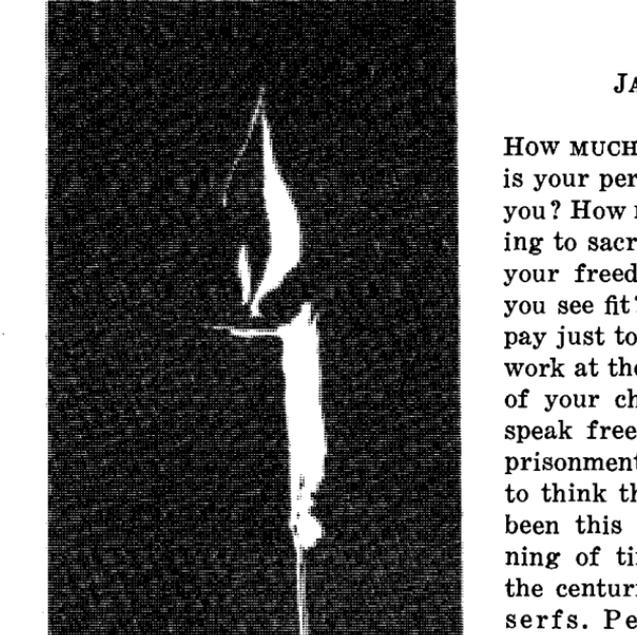
JACK SCHREIBER

How MUCH is it worth? How much is your personal freedom worth to you? How much would you be willing to sacrifice today, just to keep your freedom to worship God as you see fit? What price would you pay just to maintain your right to work at the business or profession of your choice; or your right to speak freely without fear of imprisonment? Have you ever stopped to think that men haven't always been this free? Since the beginning of time, most men through the centuries have been slaves or serfs. Personal freedom was granted as a gift by kings, or tyrants, only to a chosen few. Occasionally, history records, there were brief periods of personal freedom, but it finally took America for the world to realize the dream of all men — the inherent right of a man to be free.

We aren't free to do what we want to do, but rather, Jefferson said, we are free to do what we ought to do. In other words, the price of freedom is individual responsibility. So freedom isn't all free, you see, nor is it perpetual. Part of the American dream is that to each generation there falls a new responsibility to preserve

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This article is condensed from lecture notes prepared and used by Dr. Schreiber, a physician in Canfield, Ohio.



THE  
LAST  
CANDLE

that freedom which was established here by those early patriots. But it took more than just a philosophy of government. Those early Americans, wise beyond their years, also realized that government of, by, and for the people had to flourish in an economic system of free enterprise, with competition as the catalyst. So they established a structure of limited central government, permitting this newly won freedom to have unlimited possibilities.

One could assume, then, that we have it made. Never have any people, at any time, anywhere, had it so good. But in our present abundance and luxury something is wrong. People aren't happy. They don't walk down the streets of our cities smiling, or whistling a happy tune. There is discontent, and one can sense fear of the unknown. Overabundant Americans are jittery. There seems to be a tarnish on our golden Mecca. Our welfare lists are growing. We've created a new breed of men who won't work. And instead of the slogan, "God bless America," we now hear, "What have you done for me lately?" The signs aren't too hard to read. They are the signs of internal decay — the dry rot of apathy and indifference.

The symptoms of our disease of welfarism began some years ago when we began to penalize success

by taxation. By using our tax dollars, government has relieved us of many of our own personal responsibilities, in exchange for our personal freedom. We have come to think of our early history and the men who made it as a kind of fairy tale instead of the greatest success story of all time. We have been flirting with a dangerous and clever seductive mistress called socialism. And for a time, since the depression days of the thirties, we have been toying with ideas which have proven a failure in most of those countries where they've been tried. It seems to me we are in the mess we're in for several reasons.

#### ***From Freedom to Barbarism***

The first is the natural evolution of civilization. Lord Byron, in tracing the rise and fall of great nations, said that "people go from freedom to glory, from glory to wealth, from wealth to vice, from vice to corruption, and from corruption to barbarism."

The second reason for the beginning of the welfare state is temptation. We are being tempted as we have never been tempted before — tempted to let the government do it. From all sides of the Great Society comes the siren song. The government should provide free housing; the government should pay for college education;

the government should take care of the aged; the government should provide beauty and culture; the government should guarantee jobs; and so it goes. It's not an easy thing being a free American, when all around us the misguided and the misinformed tell us the government owes us all these things which up to now we have been providing for ourselves.

There is a third reason why we are losing our freedom. Most of us accept the beginning of the welfare state, not because of our weakness, but rather because of one of our finest virtues — human compassion. Through our misguided love for humanity we have bought the idea that the mere spending of enormous sums of our own money, plus the creation of vast new bureaucracy to process and administer the complexities of the new social laws will, in themselves, solve the ills of the people. By passing the buck and surrendering our personal responsibilities into the hands of government, we solve our guilty consciences as a nation and as individuals.

And finally, we have begun our journey into the welfare state for another reason. For too long now, too many of us have been too willing to let someone else call the shots. We have been busy with things, which in the end don't count for much, and in our madness for

materialism we have forgotten how to lead. We have been letting "George do it," and "George" has messed it up. For one shining, glorious moment of history we had the key and the open door and the way was there before us. Men threw off the yoke of centuries and thrust forward along that way with such hope and such brilliance that for a little while we were the light and the inspiration of the world. Now the key has been thrown carelessly aside — the door is closing — we are losing the way.

In summary then, we Americans have inherited the greatest nation in the world, but we're finding out it's not easy being a free American. We need to remind ourselves of the magic formula of free enterprise, operating in an environment of competition with limited central government. We must constantly remind ourselves, and each other, that our freedom is threatened by those who promise us security instead of opportunity. We do not have to go down the drain of the welfare state just because of a silly historic cycle. We can pass on the heritage of personal freedom to our children with the three keys of leadership, personal involvement in public affairs, and a recrudescence of the home and church. This we can do if enough of us will care enough to do enough.

### **Freedom, Self-Control, Human Dignity, and Limited Government**

Once upon a time there was a young nation struggling in the community of nations to find her place in the sun. For this young country of brave people discovered that freedom is a God-given right. So impressed were they with this belief that they lit a candle to symbolize their freedom. But in their wisdom they knew that the flame could not burn alone, so they lit a second candle to symbolize man's right to govern himself. The third candle was lighted to signify that the rights of the individual were more important than the rights of the state. And finally they lit a fourth candle to show that government should not do for the people those things which people should do for themselves.

As the four candles of freedom burned brightly, the young nation prospered; and as they prospered, they grew fat; and as they grew

fat, they got lazy. When they got lazy, they asked the government to do things for them which they had been doing for themselves, and one of the candles went out. As government became bigger, the people became littler and the government became all important and the rights of the individual were sacrificed to the all important rights of the state. Then the second candle went out. In their apathy and indifference they asked someone else to govern them, and someone else did, and the third candle went out.

In the end, more than they wanted freedom, they wanted security, a comfortable life, and they lost all, comfort and security and freedom. For you see when the freedom they wanted most was freedom from responsibility — then Athens ceased to be free, and the Athenians of nearly two thousand years ago were never free again. The last candle was extinguished. ◆

#### IDEAS ON LIBERTY

### **Omnipotent Government**

THEY [parliaments] possess no power beyond the limits of the trust for the execution of which they were formed. If they contradict this trust, they betray their constituents, and dissolve themselves. All delegated power must be subordinate and limited. If omnipotence can, with any sense, be ascribed to a legislature, it must be lodged where all legislative authority originates, that is, in the PEOPLE. For *their* sakes government is instituted, and theirs is the only real omnipotence.

# POWER

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## 2. SOME MODERN MANIFESTATIONS

MAN'S attempted exercise of power over other men is as old as history. Of almost equal age are man's speculations concerning the dangers of power and the means by which it might be limited. Decentralization and a supposition of a framework of Natural Law, limiting ruler and ruled alike, have emerged as man's two best answers to the problem of power.

Yet, in the modern history of power, these traditional safeguards have been confronted with new definitions and new applications of power, posing a greater threat to man than in any of his previous history.

Initially, the coming of democracy was viewed as a final end to entrenched power, as a permanent emasculation of the social agencies and spiritual authorities which were viewed as standing in the path of man's liberty. Once the authority of church, king, and aristocracy were swept away, the reign of all men was to begin. What may well have happened is less an end to power than its transference to new owners.

Hobbes defined political power as political liberty and insisted that man would be free when he possessed a share of political government. Yet the fragmentation

of political power into bits and pieces at once so numerous and so small, as accomplished in modern democracy, may well have offered an illusory freedom to the individual, since it offered him an essentially illusory sovereignty. As long ago as 1870, Proudhon warned in his *Theory of the Constitutional Movement in the Nineteenth Century*:

It is no use saying that an elected person or the representative of the people is only the trustee for the people . . . in despite of principle, *the delegate of the sovereign will be the master of the sovereign*. Sovereignty on which a man cannot enter, if I may so put it, is as empty a right as property on which he cannot enter.

The democratic ideal did not originally intend to substitute the arbitrary will of the citizenry for the arbitrary will of the King. But, as Georges Clemenceau wearily observed as he contemplated the condition of democratic Europe in the early twentieth century, ". . . had we expected that these majorities of a day would exercise the same authority as that possessed by our ancient kings, we should but have effected an exchange of tyrants." The fragmentation of sovereignty occurring in mass democracy thus proved a feeble shield for individual liberty.

Both of the traditional guarantees of limited power, *decentralization* and *Natural Law*, had been subverted in the process. Decentralization of power throughout the private, institutional framework of society had been replaced with the comparatively meaningless fragmentation of sovereignty among vast numbers of individuals. The idea of Natural Law, of limitations placed upon ruler and ruled alike, had been replaced by the dangerous and totally incorrect *vox populi, vox dei*. The stage was set for the confusion of the "power of the people" with the "liberty of the people." And the power about to be exercised in the name of the people was destined to make all previous exercises of power throughout history seem pale by comparison.

### **Sovereignty and Power**

As he witnessed the excesses of the French Revolution, Benjamin Constant accurately predicted the disasters to come in his admirable little book, *The Course of Constitutional Politics*:

The establishment of sovereignty of the people in an unlimited form is to create and play at dice with a measure of Power which is too great in itself and is an evil in whatever hands it is placed.

Throughout the nineteenth century, Tocqueville, von Mohl, Burck-

hardt, and Acton shared these serious doubts about unlimited democracy. They prophesied that the very democracy which had originally been conceived for the emancipation of the individual could itself become the means of a new enslavement.

A recent television comedy sketch conveys the place of power in the new democratic era perhaps even more effectively than the thoughtful essays of social critics. In the scene, Jackie Gleason and Art Carney are trying to decide which of them will occupy the master bedroom at a hotel they are visiting. Carney delivers a lecture about "democratic processes" and "the American way," prompting a series of votes which, naturally enough, always produce a one-one tie. Carney proposes, "I'll vote for you, if you'll vote for me," again producing the same result. They then decide to flip a coin. Gleason calls "heads," and Carney then challenges Gleason's right to make the choice, insisting, "That's undemocratic."

The comedians exploit the ridiculous situation to its fullest extent, proposing various devices to solve the problem and yet always coming up against Carney's assertion that Gleason's choice of a means to settle the dispute is "undemocratic." Gleason finally loses his temper, and gives the answer

which majorities often give in the process of decision making: "See the size of this fist? It's bigger than yours, isn't it? *That's why I get my choice!*"

### **Reforming Zeal**

The current of reform in the eighteenth century which swept away monarchy and promised a brighter day for the common man through democratic processes was quite properly directed against abuses of power by those who operated the political processes of the state. The reforming current was equally correct in its opposition to power when exercised in the private realm through monopoly situations (situations usually stemming from political grants of power by the state).

This reforming zeal began to go astray when it mistook the close connections between the clergy and royal absolutism for a connection between religion and morality on the one hand and political power and exploitation on the other. Bodin and other apologists for Divine Right had so interwoven Natural Law and Divine Right that the reformers rejected moral restraint when they rejected monarchy, thus throwing out the baby with the bath and opening the door to a tremendous centralization of power because they discarded one of the two great bulwarks against

power, the assumption of a law limiting ruler and ruled alike.

### **The Decline of Power?**

Though power had been dis-trusted when in the hands of church, monarch, and aristocracy, the reformers came to feel that power could be safely entrusted to the people. Even such a staunch ad-vocate of personal liberty as John Stuart Mill came to believe that power was no longer a decisive factor in politics, since the rule of the people would lead to the equit-able solution of all problems through free discussion in a com-mon market place of ideas.

Other nineteenth century advo-cates of freedom also saw power as a declining force which would no longer trouble the modern world. Reasoning from his organic analogies patterned after Darwin-ian theories of evolution within the animal kingdom, Herbert Spencer attempted to demonstrate that an abatement of power was to be the natural result of evolu-tion and progress.

The First World War made clear that free discussion and pop-ular sovereignty had, in fact, not done away with power at all. Yet, even then, the reformers were not fully convinced. The rhetoric of the World War I era is filled to overflowing with statements plac-ing blame for that outburst of raw

power on a last desperate reaction of the old nondemocratic order. What solutions did the reformers offer for this new outburst of pow-er? More democracy, of course: "Open covenants openly arrived at," "self-determination of peo-ples," and a League of Nations ex-tending discussion and democracy to a truly international level. Thus, the democracies put on the great-est display of raw power exercised until that moment in history, in the name of "making the world safe for democracy."

It might be argued that a mo-narchical Germany started the war, not the Western democracies. Yet even if such a thesis could be dem-onstrated (and the facts would indicate that all the major na-tions, democracies and monarchies alike, played their part in bring-ing on the war) it would still be true that even the most demo-cratic of Western nations soon came to copy the Prussian methods of mobilizing the private sector and the individual citizen for "to-tal" war efforts. Even in England and the United States, the two na-tions in which the individual citi-zen had been most successful in preserving his liberty against the encroachment of governmental power, conscription became the means of providing an army, while great pressures of borrow-ing and inflation, amounting to a

form of economic conscription, provided the war chest.

### **Preservation of Democracy**

The "good cause" justifying this extension of power was the preservation of "democracy" itself. Under the new democratic regimes, the warfare state pointed the way toward the welfare state, since both were to give endless and often irresponsible power to the few while degrading the many, all in the name of an abstract equality of men. Oddly enough, this "equality" is only to be achieved, its proponents tell us, through a tremendous inequality in the exercise of power, giving some men the right to act for others.

If the First World War had only shaken the dogma that democracy meant an end to the dangers of power, the Second World War ended such a notion once and for all. Since the late 1930's, we have seen the unrestricted play of power on our society and the world, limited effectively by neither political theory nor moral principle. The traditional safeguards of *decentralization* and *Natural Law* have both been undercut by democracy, only to have democracy itself provide a fertile field for the most unchecked reign of power in world history. Apparently Lord Acton was right about the corrupt-

ing capabilities of power. Surely, Hitler and his gang should be sufficient proof of that fact.

For a time, some of the reformers still argued that such power was not harmful so long as it worked toward "humanitarian" goals. We all remember the years when the totalitarian regime of Stalin was viewed by many in the West as being somehow morally superior to the totalitarian regime of Hitler. But, in practice, the Poles, Latvians, Lithuanians, Estonians, and any number of other subject peoples surely could point to no distinguishing characteristics between the Red totalitarianism and the Brown.

### **The Warfare State**

Meanwhile, how did power fare in those Western democracies which prided themselves on being most nontotalitarian? In the words of one of the most distinguished students of power:

Whereas the Capetian kings made war with a few seignorial contingents whose service was for no more than forty days, the popular states of today have power to call to the colours, and keep there indefinitely, the entire male population. Whereas the feudal monarchs could nourish hostilities only with the resources of their own domains, their successors have at their disposal the entire national income. The citizens of medieval cities at war could, if they were

not too near to the actual theatre of operations, take no notice of it. Nowadays friend and foe alike would burn their houses, slaughter their families, and measure their own doughty deeds in ravaged acres. Even Thought herself, in former times contemptuous of these brawls, has now been roped in by devotees of conquest to proclaim the civilizing virtues of gangsters and incendiaries.

How is it possible not to see in this stupendous degradation of our civilization the fruits of state absolutism? Everything is thrown into war because Power disposes of everything.<sup>1</sup>

### **The Welfare State**

So much for the modern warfare state. What of the modern welfare state? The same era which saw the rise of democratic reformism in the eighteenth and nineteenth centuries also saw the widespread acceptance of the principles of natural science and the unfortunate accompanying tendency to apply the methodology of science in the political and social realms. In the nineteenth century, Auguste Comte remarked, "If we do not allow free thinking in chemistry or biology, why should we allow it in morals or politics?" Fichte carried that assumption to its logical conclusion: "To compel man to adopt the right form of

government, to impose Right on them by force, is not only the right, but the sacred duty of every man who has both the insight and the power to do so." This assumption lies at the root of the subsequent "social planning" which has come to dominate modern society. Men are now to be made free from their own ignorance and inadequacy. Power used to coerce is thus supposed to be beneficent power, power exercised "for the good" of the many.

Throughout history, the greatest vice of power had generally been thought to be the restriction of individual liberty which the exercise of such power entailed. But once modern man began to recognize no restriction of Natural Law upon his capability to know what is "best" for people and know it better than the individual citizen himself, the modern statist was in a position —

. . . to ignore the actual wishes of men or societies, to bully, oppress, torture them in the name, and on behalf of their "real" selves, in the secure knowledge that whatever is the true goal of man (happiness, fulfilment of duty, wisdom, a just society, self-fulfilment) must be identical with his freedom — the free choice of his "true," albeit submerged and inarticulate, self.<sup>2</sup>

<sup>1</sup> Bertrand de Jouvenel, *On Power* (New York: Viking Press, 1949), p. 152.

<sup>2</sup> Isaiah Berlin, *Two Concepts of Liberty* (London: Oxford University Press, 1958), p. 18.

### The Planning State

In such a system, what limitation of power is now to be recognized? What is to be the basis of the new political morality? As John Dewey, a philosopher of the new humanitarian planned society, phrased it, "Whether [the use of force] is justifiable or not . . . is, in substance, a question of efficiency (including economy) of means in the accomplishing of ends. . . . The criterion of value lies in the relative efficiency and economy of the expenditure of force as a means to an end."<sup>3</sup> In a word, all the traditional safeguards against power are now to be discounted in favor of a single measure: utility.

In a textbook entitled *Our Economic Society and Its Problems*, one of the planners of the new order, Rexford G. Tugwell, explicitly stated the new definition of power:

The real challenge to America . . . is the challenge of the planning idea. Russia has silenced forever the notion that economic affairs are governed by adamant natural laws. She has demonstrated that men have it in their power to set up the system they want and to make it obedient to their wishes.

With Russia as an example, intelligent people in America . . . will want to plan and act.

<sup>3</sup> John Dewey, "Force and Coercion," *Ethics XXVI* (1916), pp. 362 and 364.

### A New Definition of Freedom

As Friedrich Hayek has made abundantly clear, it is only modern man that has confused freedom from coercion (the traditional use of the word) with an illusory freedom from obstacles, implying a physical ability of man to be in complete control of and beyond the limitations of his natural environment. In this way, individual freedom has been corrupted until it implies a "right" to any material benefit which the social order can procure for him.

Hayek continues:

Once this identification of freedom with power is admitted, there is no limit to the sophisms by which the attractions of the word "liberty" can be used to support measures which destroy individual liberty, no end to the tricks by which people can be exhorted in the name of liberty to give up their liberty. It has been with the help of this equivocation that the notion of collective power over circumstances has been substituted for that of individual liberty and that in totalitarian states liberty has been suppressed in the name of liberty. . . .

This reinterpretation of liberty is particularly ominous because it has penetrated deeply into the usage of some of the countries where, in fact, individual freedom is still largely preserved. In the United States it has come to be widely accepted as the foundation for the political phi-

losophy dominant in "liberal" circles. Such recognized intellectual leaders of the "progressives" as J. R. Commons and John Dewey have spread an ideology in which "liberty is power, effective power to do specific things" and the "demand of liberty is the demand for power," while the absence of coercion is merely "the negative side of freedom" and "is to be prized only as a means to Freedom which is power."<sup>4</sup>

### **Power = More Power**

It is instructive that the great proletarian revolutions of modern times, those in France and Russia, both promised a revolt *against* power. Shortly before assuming authority, Lenin wrote that it was the task of the Revolution to "concentrate all its forces against the might of the state; its task is not to improve the governmental machine but *to destroy it and blot it out.*" The revolutionaries acting in the name of the people have moved against power with the avowed purpose not of assuming that power but of *destroying* it. Despite this, those who assumed temporary power to destroy other concentrations of power have usually proven unwilling to relinquish that authority once the revolutionary process is brought to completion.

<sup>4</sup> F. A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago, 1960), pp. 16-17.

Before the rapids, there was the rule of a Charles I, a Louis XVI, a Nicholas II. After them, that of a Cromwell, a Napoleon, a Stalin. Such are the masters to whom the peoples that rose against Stuart or Bourbon or Romanov "tyranny" find themselves subjected next. . . . The Cromwells and Stalins are no fortuitous consequence, no accidental happening, of the revolutionary tempest. Rather they are its predestined goal, towards which the entire upheaval was moving inevitably; the cycle began with the downfall of an inadequate Power only to close with the consolidation of a more absolute Power.<sup>5</sup>

In both the nontotalitarian Western world and in the more frankly totalitarian experiments, the same pattern holds true. The initial assault against power is followed by a more complete and all-pervasive power structure of its own. The danger of such structures is all the more enhanced by the fact that such despotisms are erected in the name of "the people."

In the words of Henry Mencken:

It [the State] has taken on a vast mass of new duties and responsibilities; it has spread out its powers until they penetrate to every act of the citizen, however secret; it has begun to throw around its operations the high dignity and impeccability of a State religion; its agents become a

<sup>5</sup> Jouvenel, *op. cit.*, p. 216.

separate and superior caste, with authority to bind and loose, and their thumbs in every pot. But it still remains, as it was in the beginning, the common enemy of all well-disposed, industrious and decent men.<sup>6</sup>

### **The Modern State**

If the modern state has indeed become so all-pervasive in its exercise of power, why is there not more organized resistance? It is the pretext that such power is wielded by and for "the people" which in effect has delivered the people, the individual citizens, into the hands of this new despotic power.

This power now exercised in the name of "the people" whether in the welfare state pattern or the frankly totalitarian form, is tremendous in scope. Worse yet, such power tends naturally to accumulate still more power to itself. An Italian scholar who witnessed the rise of the fascist state in Europe, Guglielmo Ferrero, has made the shrewd observation that a government of great power tends to suspect that the citizens being governed would like to throw off the yoke which they bear. It is Ferrero's thesis that this fear of the government against the governed, thus engendered, tends to rise to a great-

er and greater level as more power is exercised — thus the more totalitarian a government, the more dictatorial, oppressive, and brutal it is likely to become.

Thus power breeds appetite for more power, until not only obedience, but enthusiasm, is expected from the subjects of that power. It was Napoleon who first made wide use of deliberately contrived propaganda techniques to win enthusiasm for the regime in power. Since then, virtually every wielder of great power has further perfected the same technique. "Public image," a desire to be at once powerful and popular, seems to be a common goal in such societies. Often the pursuit of this goal has produced suppression of facts which might prove unpopular. We have all come to expect such suppression from the modern totalitarian state. We are also now learning that a "credibility gap" can exist in our own society as well.

Thus, the powerful state comes to fear the subjects over whom it exercises power, while the individual citizen comes to fear the increasing repressions and interferences of the all-powerful state. It is to this that Ferrero refers:

It is impossible to inspire fear in men without ending up by fearing them: from this moral law springs

<sup>6</sup> Albert Jay Nock, *Our Enemy, the State* (Caldwell, Idaho: Caxton, 1946), flyleaf.

the most fearful torment of life — the reciprocal fear between government and its subjects.<sup>7</sup>

The root of this fear in both the governing and the governed is the fear of power, rampant and unchained from Western civilization's traditional limitations of power, *decentralization* and *Natural Law*. Power in such a society is finally embraced because of its capacity to produce discipline. The exercise of power thus becomes an end in itself, rather than a means.

Finally, under whatever political label, a new agency has come into being in the modern world:

<sup>7</sup> Guglielmo Ferrero, *The Principles of Power* (New York: G. P. Putnam's Sons, 1942), p. 313.

Throughout the world, a new revolutionary theory and system seem to be taking substance: what Tocqueville predicted long ago as "democratic despotism," but harsher than he expected even that tyranny to be; in some sense, what Mr. James Burnham calls "the managerial revolution"; super-bureaucracy, arrogating to itself functions that cannot properly appertain to the bureau or the cabinet; the planned economy, encompassing not merely the economy proper, however, but the whole moral and intellectual range of human activities; the grand form of *Planwirtschaft*, state planning for its own sake, state socialism devoid of the sentimental aims which originally characterized socialism.<sup>8</sup> ♦

<sup>8</sup> Russell Kirk, *The Conservative Mind* (Chicago: Henry Regnery, 1953), p. 533.

*Dr. Roche, who has taught history and philosophy at the Colorado School of Mines, now is a member of the staff of the Foundation for Economic Education.*

*The next article in this series will discuss the "Social Effects" of Power.*

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**LABOR  
UNION  
DEMANDS  
MEAN**

# MORE INFLATION

LAWRENCE FERTIG

By a 5 to 4 decision in mid-April the United States Supreme Court nudged our economy back toward the era of handwritten ledgers and the hand loom. This, in an age of computers and high-speed cost-cutting machines!

The learned Justices decided that labor unions have a right to strike over automation. Some building contractors in Pennsylvania tried to cut the cost of modestly priced homes by installing 3,600 prefabricated doors. The carpenters struck because they wanted to construct these doors by hand on the site. The Court's decision in this and a companion

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Mr. Fertig is an economic columnist. This article appears by permission of Columbia Features, Inc.

case upheld the strikers because of the "employer's efforts to abolish their jobs."

If United States industry must protect specific jobs at whatever cost, instead of trying to serve the American public by adopting improved methods of production which lower costs and prices, the vaunted dynamism of the United States would, obviously, be destroyed.

*Because of automation* American industry is absorbing more than 1.5 million new workers each year. *Because of automation* pay of the average factory worker has increased to \$110.00 per week from the prewar wage of \$21.00 per week. If strictly applied, the High Court's decision would, of course, curb this progress. This decision is just one more straw on the back of a heavily laden camel. That camel is the American productive machine — American industry. American industry today — and therefore the nation — faces a crisis. The nature of that crisis is quite simple.

Labor unions are striking for higher pay. Unions in transport, rubber, automobiles, and other major industries threaten to paralyze production. Disturbing as this prospect is, production shutdowns due to strikes are *not* the real threat to the economy. The real danger is uneconomic wage

settlements wrung from reluctant industry in order to prevent work stoppage.

The nub of the problem is that wage costs are rising at the rate of 5 per cent to 7 per cent annually, while productivity of American industry is not increasing by more than half that amount. When costs increase at nearly double the rate of industry productivity, there is bound to be trouble. In the first quarter this year, the median wage increases in 520 wage agreements was nearly 13 cents an hour — a twenty-year high.

When costs out-pace productivity, the result is a squeeze on profits. As profits decline, industrial activity is curbed, jobs are affected, and so is capital investment for more efficient, increased production. All this adversely affects industry growth and national income.

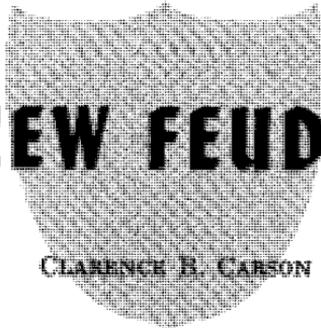
To off-set these depressing effects, it has been the practice of our monetary authorities to inflate the money supply by encouraging plentiful, low-cost bank loans. This tends to create accelerated business activity. But, as in 1965, such a policy results in sharply higher consumer prices and an inflationary spiral that is dangerous for the economy in the long run. So, the basic problem

is how to prevent steep wage rises which are brought about by the monopoly power of labor unions.

The labor union problem is worrying both the Administration and Congress these days. On the one hand, there is threat of crippling national strikes. On the other, unions defy Presidential commissions which recommend even as high as 5 per cent annual wage rises. There are literally dozens of plans for meeting this problem now being discussed in Washington.

Practically every solution now being proposed embodies some form of compulsory arbitration. Big government is to step in with the big stick and enforce wage decisions on management, as well as on unions. The point is that all these plans evade the central problem. There would be no need for more government action if present monopolistic powers of unions were curbed.

A better balance between the power of labor unions and the power of management is the direction in which a solution should be made. But, neither the Congress nor the President has a stomach for curbing the overweening power of labor unions today. This being the case, continued inflation seems to be inevitable. ♦



# THE NEW FEUDALISM

CLARENCE B. CARSON

MOST AMERICANS who are bent toward socialism do not identify themselves publicly as socialists. Nor do they employ the Marxian slogan that socialism is the wave of the future. Nonetheless, they have a way of looking at things that embraces the idea. The American approach to socialism is gradualist, piecemeal, and step by step; it is by way of government intervention, government-provided welfare programs, and government regulation and control. These steps are called progressive, are said to be in keeping with the contemporary situation and modern needs, and are supposed to be pointed toward a brighter future. Those who oppose these steps are called reactionary,

conservative, backward-looking, opponents of progress, not of this century, and so on.

The first thing to be observed about all this is that there is no such thing as socialism, actually or potentially. Socialism is a fantasy, and the illusion that it is being approached is in the nature of a mirage. No country in the world has attained even an approximation of the socialist vision. In communist countries, the state has not withered away, as Marx predicted; instead, it has grown in power and sway. Nowhere does "from each according to his ability, to each according to his need" prevail, nor can it do so. "Need" can no more be measured than men can be induced to produce according to their abilities when rewards are separated from efforts.

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Dr. Carson is Professor of American History at Grove City College, Pennsylvania.

Nor is it simply that the actual falls short of the ideal, a development which might be expected where human beings are involved. On the contrary, the movement toward what is supposed to be socialism produces results quite the opposite of those claimed for it.

Everywhere the results of the thrust toward socialism are similar in kind, though different in degree, depending upon the approach and the zeal behind the effort. The results are, in brief, statism, bureaucratic autocracy, neofeudalism, and neomercantilism.

#### **Government as a Means**

The development of statism—the totalizing of government power over the lives of citizens and the veneration of the organ in which the power resides—is both obvious and readily explained. Anyone can see that governments everywhere exercise more and more power and that those who wield the power command subordination and obedience. The state does not wither away because it has been made into the instrument through which socialism is to be attained. Socialists were always vague as to just how socialism was to be achieved. They could describe in detail the evils of the existing systems and the marvels that would be under socialism. The how of reconstruc-

tion was the missing link of socialist theory. To Marx the emergence of socialism was inevitable; one need not trouble himself overmuch about precisely how the inevitable would come to pass. The main thing was the destruction of the existing system.

In practice, however, socialists have taken over and used the state when and as they have come to power. They have used it to do all sorts of things to usher in socialism, thus building tremendously the power of the state. To remain in power, they have found it useful to cultivate the adoration and veneration of the state. In like manner, they took over bureaucracies, greatly enlarged them, and equipped bureaucrats with a great deal of power with which to achieve their ends. It is these bureaucrats who wield the power over the lives and intricate affairs of citizens. The result is, predictably and demonstrably, bureaucratic autocracy, implicitly tyrannical, but in practice more often aggravating because of its pettiness and triviality. Even so, the tyranny of the Soviet Union, of Communist China, and of all socialist (or socialist inclined) countries is, in the final analysis, the tyranny of bureaucrats.

Neither statism nor bureaucratic autocracy are anything new under the sun. If progress be

synonymous with improvement, there is nothing progressive about them. They are an expansion, consolidation, and rigidifying of forms and institutions that have been around for quite a while. The other two products of the thrust to socialism are plainly retrogressive, that is, are revivals of older forms and institutions in a new setting. The new mercantilism is not the subject of this paper; it will, therefore, be dismissed with only a few observations about it. Mercantilism was widely practiced in the seventeenth and eighteenth centuries, and, at its lowest ebb, never quite disappeared in the nineteenth century. It was a system of attempting to promote national prosperity by government intervention. Particularly, it was an effort to promote manufacturing and shipping by government-granted privileges, export and import controls, payment of bounties, and restriction upon trade. Many of these practices have been revived in the twentieth century, extended, and given new justifications. They can be referred to as the new mercantilism.

### **Inevitable Developments**

The reversion to mercantilism in the twentieth century has been noted by some, but the new feudalism has been paid scant attention, if any. Mercantilism was an in-

strument more or less ready at hand for socialists, as were the state and the bureaucracy. Socialists no more started out to be mercantilists than they did to be statisticians or bureaucrats. The positions developed as a result of adapting devices which were supposedly means to an end, but which swiftly became ends in themselves. In the circumstances in which they have come to power, socialists have attempted to develop *national* economies. To do this, they have fallen unavoidably into mercantilistic practices, which had a similar aim.

The new feudalism has a somewhat different explanation. After all, feudalism is correctly associated with that most reprobated and despised of appellations, Medieval. Medieval is the very antithesis of modern. It is associated in almost everyone's mind with backwardness, with darkness, with things alien to modern man, whether these associations are justified or not. Mercantilism has its apologists.<sup>1</sup> One writer even attempts to make the new mercantilism alluring. He says, in part:

Abundance will enable a reversal of the old order of things. Modern

<sup>1</sup> See, for example, Oliver M. Dickerson, "Were the Navigation Acts Oppressive?" in *The Making of American History*, Donald Sheehan, ed., (New York: Holt, Rinehart and Winston, 1963, third edition), I, 57-86.

mercantilism will remove the economic machine from the middle of the landscape to one side, where, under planning by inducement, its ever more efficient automata will provide the goods and services required by the general welfare. . . .

This is the promise of modern mercantilism, and if the time is not yet, it is yet a time worth striving for.<sup>2</sup>

Feudalism has no such apologists. Yet what we are developing is much more closely akin to feudalism than to mercantilism and much more deeply entwined with the premises of those who think of themselves as socialists.

#### **Of French Design**

Socialist doctrines were formulated mainly in the first half of the nineteenth century, in the wake of the final destruction of the vestiges of feudalism which had occurred during the French Revolution. They were shaped by Frenchmen more than by any other nationals, by Auguste Comte, by Henri Saint-Simon, by Louis-Auguste Blanqui, by Charles Fourier, and by others. The French were assisted by others, of course, by the Scotchman Robert Dale Owen, by the Germans Karl Marx and Friedrich Engels, among others.

<sup>2</sup> W. H. Ferry, "Caught on the Horn of Plenty," *The Corporation Take-over*, Andrew Hacker, ed. (New York: Harper & Row, 1964), p. 187.

At any rate, socialist doctrines were permeated from the outset with notions drawn from feudalism. Socialism was born (or re-born) amidst the conservatism of the restoration following the French Revolution and the romanticism of the nineteenth century. Both of these were friendly, in varying degrees, to feudalism, or its relics. Some romantics wrote lovingly and favorably of the Middle Ages. For example, there were the very popular novels of Sir Walter Scott in English.

Most important, however, both romantics and/or socialists were anti-industrial. The new snake in the Garden of Eden was industrialization, and man had been cast out into what came to be called the Industrial Revolution. Most of men's woes, real or imagined, were attributed to industrialization, a term synonymous with the horrors of the factory town, with little children laboring at spindles, with women drawn from the home into the mills, with men spending long hours in mines, with exploitation and alienation. By comparison with industrialization and its machines, its factories, its mines, its industrial proletariat, the preceding ages were often thought of as exemplifying pastoral bliss.

Those who stick to economic analysis pass over one of the deepest appeals of socialism. It can be

shown rather conclusively that men worked long hours at hard and unmitigated labor before the development of large-scale manufacturing carried on in factories, that small children had worked from time immemorial, that deprivation was much greater in pre-industrial times, that far from decreasing well-being, industrialization generally contributed to the improvement of it.

### ***The Alienation Theory According to Marx***

But the socialist appeal goes much deeper than this to something rather fundamental. Socialists claim that industrialization came in a way that dissolved the bonds of community. Modern man is alienated, said Karl Marx, and by so doing he gave a name to that phenomenon supposed to result from private ownership of the means of production, from capitalism, from industrialization, from the loss of community. The factory drew men from their ancestral homes to live in factory towns where they were "alienated" from the products of their labor by the "cash nexus." It pitted them one against the other for jobs and wages thus promoting individualism. Competition, so socialists have held, is the war of each against all, and private property is the booty gained in the contest.

There have been two models for the community which socialists are supposed to be seeking, one historical and the other imaginative. The historical model for community is found in the Middle Ages, in the medieval manor (or mir in Russia), in the medieval guild, university, universal church, and so on. The other model is in the never-never land of utopia, that is, by translation, in the land that is "nowhere." Marx attempted to give reality to utopia by making it historically inevitable. Other socialists were utopian, according to Marx; his socialism was "scientific," scientific because its outlines were supposed to emerge from the projection of trends already discernible. In other words, one is no longer utopian when his utopia ceases to be a product of the imagination and becomes a prophecy of the shape of the future.

Marx knew no more about how to form viable communities than did those "utopians" whom he denounced in the nineteenth century for their futile efforts at erecting utopian communities. He did succeed, however, in turning men's eyes away from the real source of their notion of community to the mumbo-jumbo of false prophecy supposedly based upon an extrapolation of history. This enabled socialists to obscure from themselves and others the medieval

sources of their idea of community.

My point is this: It is not accidental that the thrust toward what is supposed to be socialism produces the New Feudalism. This does not mean that socialists have wanted to revive feudalism. By and large, they have been in the ranks of those most eager to pillory the medieval. Nor does it mean that they have succeeded in establishing a feudal order comparable to the one in the Middle Ages. My remarks do not have to do with the *intent* of socialists but rather with the tendency of their action. In their efforts to recover what they supposed was a lost community, they have been drawn to favor practices which are medieval in character. These are, after all, the ones which prevailed generally before modern man became "alienated." They are the pre-industrial, pre-individualistic, pre-cash nexus ways of dealing with things. Socialist inventiveness has, to an amazing extent, been reconstruction of abstractions from the vaguely recalled Middle Ages.

### **Corporatism**

The essence of medieval social organization was corporatism. According to Jakob Burckhardt, in the Middle Ages "man was conscious of himself only as a mem-

ber of a race, people, family, or corporation — only through some general category."<sup>3</sup> These corporations, bodies, or organizations — guild, manor, college, town, monastic order — provided the framework within which men had their prerogatives, privileges, duties, obligations, and responsibilities. A man, simply as a man, could be said to have hardly any rights. These belonged to him in his capacity as a member of an organization, as a knight, as a burgher, as a priest, and so on.

The New Feudalism does not, of course, resemble the old feudalism in detail generally; the similarity is essential. Modern socialists have not revived the outward trappings of monasticism, have not established lords of the manor who defend their possessions with sword and shield, and have not permitted a religious hierarchy to rule over a certain area of life. It should be obvious that it is not in such matters that feudalism has been revived. In at least two essentials, also, the New Feudalism is unlike the old: positions are not inherited generally, and powers are concentrated and unchecked rather than divided and balanced against one another. Otherwise, though, there are amazing simi-

<sup>3</sup> Jakob Burckhardt, *The Civilization of the Renaissance in Italy* (New York: Modern Library, 1954), p. 100.

larities in essence between the new and the old.

In the United States, which concerns us here, the New Feudalism is corporate in a manner similar to the old. The thrust is for men to be compulsory members of some body, and to have their prerogatives as members of that organization. The most obvious example of modern corporatism is the labor union. There have been extensive efforts to establish, in effect, compulsory labor union membership, to fix men in their jobs by seniority "rights," to grant certain privileges to those who are members of the union, e. g., the "right" to strike, and to provide benefits such as insurance and retirement. Farmer unions differ in detail from labor unions, but they, too, are corporate in character. The contemporary university, with its hierarchy, the tenure of its faculty, and claims to special privileges for its members, e. g., academic freedom, comes more and more to resemble its medieval counterpart.

Organizations become feudal in character as they are established and maintained by government power, as they have a special legal standing, as the members have special immunities and privileges and are subject to government control of their affairs. The opposite type to a medieval corpora-

tion is a voluntary organization. The latter organization would exist at the behest of its members, would enjoy no advantages at law not possessed by individuals, and would be subject to no restrictions other than those generally applying to individuals. Thus, a labor union is called a feudal organization because it is interfused with the power of government, may, in effect, act as a government, i. e., use force to attain its ends. If it had no special legal standing, it would only be a voluntary organization and would not merit being referred to as feudal.

#### **Modern Feudal Forms**

Many organizations in America are being made feudal in character which did not start out that way. Thus, almost all religious and charitable organizations were voluntary in their inception. They have benefited, however, from special immunities, particularly taxation, and pressure grows for bringing them under government control in many ways. As a matter of fact, foundations are already heavily restricted in their activities by government. Those bodies which we call corporations are apparently on the threshold of being thoroughly feudalized. Limited liability corporations had the special immunity of limited liability from the beginning. This served

as justification, or excuse, for government regulation and intervention in their affairs. The stock issues of corporations fall under government regulation. Some corporations, those denominated public utilities, are vigorously controlled. Antitrust legislation is used quite often as a weapon to manipulate corporations. Government contracts serve as inducements to corporations to obey the wishes of governing power.

By and large, business corporations are not yet themselves sub-governments, but there have been proposals since the time of Theodore Roosevelt to make them organs of government. (For a brief period under the N.R.A. in the 1930's corporations did assume governmental powers, or government acted through them, which amounts to the same thing.) Intellectuals are, once again, proposing similar and more thorough action. This proposal was made in a recent book:

The center of my suggestion is that corporations be reconstituted as made of people. The associational element has been lost to sight in most modern corporations. This is almost as true of colleges and universities as it is of business corporations, and has led to fuzziness of purpose, an incredible metaphysics of corporations, and meaningless growth.

More specifically this would mean

first the creation of a corporate constituency or constituencies consisting of all those who had long-term and significant interests in the corporation. Just how one would balance securities holders, workers, managers, suppliers, clients is not easy to discern, but they should all be in somehow. Secondly, in accordance with Western political practice, there should be a separation of legislative and executive instead of the merger or identification of the two. . . . Finally, it should be acknowledged that corporations, consisting of a lot of people, must have an internal law and proper courts to administer it.<sup>4</sup>

The language of the above is vague, or fuzzy, but the meaning is sufficiently clear for us to conclude that he is proposing that corporations be made into governments. If all those who are associated with corporations in one way or another were treated as members of a political body, a long step would have been made toward feudalizing America. Another writer in the same book suggests the universalizing in America of group power. "It is now time for constitutional theorists to recognize," he says, "an entity intermediate between the individual and the state. This is the group . . . the wielder of effective control over large parts of the American

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<sup>4</sup> R. W. Boyden, "The Breakdown of Corporations," Hacker, *op. cit.*, p. 60.

power system."<sup>5</sup> In short, we should stop pussyfooting around and establish a full-fledged feudal system.

### **Property Rights**

Individuals in the Middle Ages did not own real property. They held it in trust for their family, present and future. But families did not own property, either. Even the lowly serf quite often had a legal claim to his habitation upon the manor, and the lord of the manor had the land as a fief from his overlord. These grants were traceable backward, in theory, to the king, whose lands they really were.

The gradual thrust to socialism in America is producing a situation similar to that of feudal times. Individuals continue to hold title to property in our day, but it is subjected to an increasing variety of restrictions as to its use, to building codes, to area development plans, to crop restrictions, to zoning laws, and so on. Government does not claim that it owns all the land, only that it may exercise the powers of an owner over it. We approach the point where government commissioners of one sort or another might well be called overlords without straining the imagina-

tion. Surely, the best theoretical justification for contemporary taxing policies would be that what we are able to keep of the fruits of our labor is a fief granted us by government.

Actually, our property is increasingly taken from us by taxation and returned to us, or others, as services which may be called boons, fiefs, or special privileges. The process is somewhat analogous to what some historians believe occurred in the very early Middle Ages. It is thought that small landowners quite often turned over their lands voluntarily to lords who would provide them protection. The lord, in turn, gave the use of the lands back to the former owner. In the intervening Dark Ages, as memory faded and conquest followed conquest, it came to be held that the king was the original owner. If another Dark Ages now looms before us, it is quite probable that our descendants will believe that the state is the original benefactor and owner. Indeed, our children are already being taught such doctrines.

### **Institutional Similarities**

There are many parallels between the Middle Ages and present developments and tendencies. In feudal times, there were different courts and different laws

<sup>5</sup> Arthur S. Miller, "Private Governments and the Constitution," *ibid.*, p. 131.

governing the various bodies, classes, and orders. There were courts for the nobility, for the clergy, for townsmen, for guilds, and for such things as trading fairs. These have their modern counterparts: the numerous boards and commissions with their special rules (with the effect of law) and their court proceedings. There is the Interstate Commerce Commission with its regulations and its hearings, the National Labor Relations Board with its investigations and its rulings, the Securities and Exchange Commission with its rulings and supervision, and so on. Men in the Middle Ages would not have considered such organizations nearly so strange as would our great great grandfathers.

Before the development of common law in some places in the later Middle Ages, it was not unusual for the law to prescribe different penalties for the same offense, depending upon the status of the person against whom the offense was committed. Money payments were frequently exacted instead of the life of the offender. William Stubbs said, regarding England, "This differed according to a regular table of values. The life of a king was esteemed at 7,200 shillings, that of . . . the archbishop at 3,600, that of a bishop or ealdorman at 1,200 shillings, that

of an inferior thane at 600, that of a simple ceorl at 200. There were other valuations for Britons and slaves."<sup>6</sup>

There are signs that we are about ready to follow this early medieval pattern. Several state legislatures have been or are considering legislation to abolish capital punishment except for murderers of certain persons, as Presidents or governors and policemen. True, such an enactment would be a long way from a table of values that would set penalties according to our "value to society," but it would certainly be a step in that medieval direction. That such things are seriously proposed and that the proponents are not called crackpots indicates that we are already prepared to think in such terms to some extent.

Other parallels can only be suggested here. The Middle Ages had its just price and just wage. We have minimum wages and "fair" prices. The Middle Ages had its manor. We have co-operatives with their special immunities and privileges, reincarnations of the manor. The Middle Ages had its Children's Crusade; we have the Peace Corps. The Middle Ages had craft guilds; we have labor unions.

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<sup>6</sup> Norman F. Cantor, ed., *William Stubbs on the English Constitution* (New York: Crowell, 1966), p. 32.

Many substitutions have been made, of course. The state has replaced the king, ideology replaced religion, the Supreme Court replaced the College of Cardinals, the bureaucracy replaced the nobility, the intellectuals (scientists) replaced the clergy, the civil servant replaced the knight, and so forth. Our situation is much more diverse than theirs, however; the relationships to institutions from one age to another is not one to one, nor is the New Feudalism as solidly established in America as was the old feudalism in England in the twelfth century. Part of the New Feudalism is maintained by law now, but much of it is present only in suggestive tendency.

### **Checks and Balances**

The old feudalism contained a principle important for the containment of government power and the protection of the rights and privileges of inhabitants. That principle we know as dispersion of power and checks and balances. Medieval organizations were often centers of power which could check and offset other centers of power. Churchmen and nobles contested with kings and emperors to limit their exercise of power. Townsfolk got charters from kings to free them from interference by the nobility. Separate courts large-

ly freed the members of a class from the power of other organizations.

The Founders of these United States incorporated this vital principle in the Constitution. They separated, dispersed, and balanced powers. They were not, however, reviving feudalism when they did this. They were using a feature, probably partially derived from the Middle Ages, to accomplish somewhat different ends. They did want to limit power, of course, but they did not want empowered classes and orders of men. They substituted geographical dispersion for classes. Governmental jurisdiction was balanced by another governmental jurisdiction (national and state), and branch of government was arrayed against branch of government to inhibit and contain the exercise of power. Americans eventually sloughed off not only classes and orders but also that personal servitude which was at the heart of feudalism.

The thrust to socialism has been made at the expense of these arrangements. Power has been increasingly concentrated in America, and in every other land with a movement toward what is billed as socialism; the states are no longer centers of power which can effectively protect their inhabitants from the exercise of Federal

power. Within the central government, power has been further concentrated in the executive branch, and that jealousy of the branches for their prerogatives no longer serves effectively to inhibit power.

### **Crushing the Opposition**

Superficially, it would appear that the New Feudalism is providing new centers of power to counter those of the Federal government. A closer look, however, will show that this has not generally been the case thus far and raise serious doubts as to that's being its future course of development. The organizations which signalize the New Feudalism — labor unions, farmer organizations, corporations, civil rights groups, and so on — are not exercising powers formerly exercised by government. Instead, they exercise (or would exercise in the case of those not fully developed) power in addition to that exercised by formal government bodies. Their power is gained not at the expense of the Federal government but by the loss of the control of their affairs by the citizenry.

Moreover, these organizations exist at the behest and pleasure of the constituted governments. They have no distinct and independent sources of authority. Their courts do not exempt them

from the regular court system. These organizations have served, thus far, to extend government-like power into more and more areas of life. They are largely under the control of the Federal government. When they come into conflict with the Federal government, or contest the general ideological aims of those in power, they will most likely be subdued or crushed. They have no separate source of authority which would enable them to withstand the determination of the Federal government.

In the eschatology of socialism, the New Feudalism is largely a means to an end. The end is not socialism, however, not in the real world, for socialism never has been and there is no reason to believe it ever will be. The end, so far as I can discern it, is centralized and totalized power, absolute and unrestrained, power wielded so it may be maintained. Whether men believe the promises of socialism is significant only to the extent that their belief leads them to yield power and obeisance to the state. The new feudal organizations will be broken when it becomes expedient to break them. The feudal privileges will be withdrawn when it will serve the purposes of those in power to do so. The record of this century is clear on the matter. The communists

have broken all groups which might oppose them, as have other socialists such as the Nazis.

### **Revival of the Worst Features of the Middle Ages**

The New Feudalism does not hold for us, then, the promise of containment of power. It does bring in its wake, as a more permanent residue, some of the least prized features of the old feudalism. Namely, it revives serfdom, that personal servitude which was the bane of existence in the Middle Ages. The New Serfdom comes in many ways: in heavier and heavier taxation, in restrictions and controls upon property, in the manipulation of the money supply to impel us to use it in ways the bureaucracy has determined are beneficial. The rigidities and inflexibilities of feudalism are revived and promise to become permanent features as government control and regulation. As the independence of individuals is sapped by these and other measures, what were

formerly rights become vestiges as privileges granted by government. Thus, arbitrary privileges become a universal feature of the remains of the New Feudalism.

Three points emerge from the above analysis. First, far from being progressive, the new political thought and developments of our era are retrogressive in reviving some of the worst features of the Middle Ages. Second, one of the major developments of our era is a reversion to feudalism. Third, the power allotted to the feudalistic groups is largely a means for politicalizing life. What is likely to remain from this effort is totalized power and a residual serfdom.

Perhaps, it is unnecessary to point the moral. At any rate, it is high time we stop deluding ourselves about the character of developments that have been taking place. The New Feudalism tends to further concentrate political power rather than disperse and check it. ♦

#### IDEAS ON LIBERTY

### **Governments May Change**

THERE IS NO FORM of government which has the prerogative to be immutable. No political authority, which is created yesterday or a thousand years ago, may not be abrogated in ten year's time or tomorrow. No power, however respectable, however sacred, that is authorized to regard the state as its property.

From RAYNAL'S *Revolution of the American Colonies* 1781

# THE COURT AND THE CONSTITUTION

IN *The Warren Revolution* (Arlington House, \$7), L. Brent Bozell has written a tough and knotty book that challenges all our preconceptions, whether radical or conservative, about the place of the Supreme Court in the division of the powers. I found it enormously stimulating and enormously unsettling. If Mr. Bozell is right in his contention that "judicial review" of legislative acts was no part of the intention of the Founding Fathers who wrote the Constitution, then it follows that the Warren Court has usurped some dangerous powers. In such case, we live under a judicial tyranny.

A conservative or a libertarian, looking at the Warren Court's decisions alone, will naturally be inclined to applaud Mr. Bozell's thesis. What business have the judges telling the states how to run themselves? But, projecting Mr. Bozell's thinking back into

the Rooseveltian Thirties, when Congress was busy passing some legislation that seemed plainly unconstitutional on its face, what becomes of the libertarian's contention that the judges were a craven lot when they decided that "a switch in time saves nine"? What Mr. Bozell is saying is that the judges exceed their power whenever they challenge legislative supremacy, even in cases when the legislators go beyond the Constitution. Under this construction, all our criticism of the court for failing to put an end to New Deal excesses in the Nineteen Thirties becomes irrelevant. Personally, as a veteran of the older wars that pre-date Earl Warren, I find this hard to take.

In short, if Brent Bozell is right, the old contest between those who want the Supreme Court justices to be strict constructionists and those who want them to be loose constructionists

is entirely beside the point. They shouldn't be passing definitive judgment on what the legislators do at all.

### **Education and Religion**

Waiving the desirability of correct judicial review for the moment, let us look at Mr. Bozell's reading of the historical record. The Warren Court has acted on the tradition that Charles Evans Hughes was right when he said, "We are under a Constitution, but the Constitution is what the judges say it is." Mr. Bozell spends some time on his proof, which seems irrefutable to me, that, under the Tenth (or States' Rights) Amendment, the individual states should be in full control of their educational establishments and their laws covering voter qualification, provided they maintain "a republican form of government."

The Congress that passed the Fourteenth Amendment, which guarantees "equal protection" of the laws to all U.S. citizens, had no manifest intention of interfering with local schools or of telling the states how they were to apportion the voting for both houses of their legislatures. In fact, the same Congress that voted for considering the Fourteenth Amendment also established schools in Washington "for the sole use of

... colored children," which is an indication that the "equal protection" clause was only intended to cover such things as the enforcement of contracts, the right to sue, the right to give evidence, to inherit, purchase, lease, sell, hold, and convey property, and to enjoy security of person and ownership. This is not to say that segregated schools are a good thing; it is only to say that under the Tenth Amendment it is the business of the separate states to handle things not constitutionally assigned to the Federal authorities.

Disregarding the intention of Congress in proposing the Fourteenth Amendment, the Warren Court decided to make its own law about application of the equal protection clause to things that had been left to the states under the Tenth Amendment. It also translated the words, "Congress shall make no law respecting an establishment of religion," to mean that states should not make such laws, either. As for state sedition laws, the Warren Court argued in *Pennsylvania v. Nelson* that "Congress has intended to occupy the field of sedition" — and this despite the fact that the author of the Federal anticommunist act, Congressman Smith of Virginia, has said explicitly that he had no thought of interfering with

the right of the states to pass antiseditious laws on their own.

Mr. Bozell reviews the Warren Court misinterpretation of the Constitution with evident distaste for the whole business. But his argument against judicial review would be the same even if Congress had passed some flagrantly unconstitutional laws and the Warren Court had then proceeded to throw them out.

### **No Final Arbiter**

What Mr. Bozell contends is that there is no "final arbiter" of the Constitution. He goes deep into history to show that, far from inheriting a tradition of judicial review from Coke in England and from the experience of the colonies before the Revolution, we had, actually, absorbed the opposite idea of legislative supremacy. Even Coke, he says, devoted the best part of his career to expounding the right of the English parliament to make whatever laws it chose to make; his early championship of the Bonham case, which could be interpreted as putting the courts above parliament, was just a tantalizing aberration.

In the eleven years between the Declaration of Independence and the framing of the Constitution there were allegedly nine instances in which the courts of

the states presumed to sit in judgment on what the local legislators had done. But when Mr. Bozell began to look into these instances in detail, he found that only one of them actually proves what the supporters of judicial review say of them all. In 1787, just when the Founders were about to meet in Philadelphia, a court in New Bern, North Carolina, actually proclaimed that one of North Carolina's legislative acts must "stand as abrogated." This, says Mr. Bozell, "was a form of words never before uttered from a judicial bench in America, or for that matter in the Anglo-Saxon world." When Richard Spaight, one of the North Carolina delegates to the Constitutional Convention, heard of the decision, he wrote home to denounce it as "usurpation of authority" and "contrary to the practise of all the world." So, if Spaight acquainted other delegates with the decision of the New Bern judges, he would hardly have helped prejudice them in favor of setting up a Supreme Court of the United States with full power to negate Congress. Mr. Bozell spends a lot of time on the meaning of the Supremacy Clause in the U.S. Constitution, and reaches the conclusion that the Founding Fathers intended to let the judges of the separate state courts be the guardians of the Constitution

in case of conflict between state and national laws.

### ***In the Course of Time***

If the Supreme Court was not intended as a "final arbiter," but merely as a court to render judgments in cases as they affected individual litigants, aren't we left with a final fuzziness that leaves the Bill of Rights at the mercy of legislators? Perhaps we are. But James Madison, among others, thought we could live with it. The authors of the *Federalist Papers* thought that the natural processes of tension and competition among the various public authorities would finally settle things. If Congress were to pass bad or unconstitutional laws, it would be finally disciplined by the people. Or the courts might simply refuse to punish someone who had been victimized by an unconstitutional act, and Congress would be forced to reconsider its own behavior. Out of the tensions imposed by the workings of checks and balances, out of the stresses, strains,

rivalries, and competitions of the consensus society, a "final" decision would emerge.

Was Madison naive in supposing this? Is Mr. Bozell naive in following Madison? Well, suppose that the Supreme Court had not forced the integration issue. Isn't it likely that the individual states — yes, even Alabama and Mississippi — would have found their way to recognizing the brotherhood of man without being told they must do so with all deliberate speed? Mr. Bozell says that in a consensus society some things had best be left to the "flexibility of the fluid constitution," which allows "our various governmental structures to absorb and reflect the diverse shifts in community consensus that are going on down below." And the question he finally asks is "whether the Warren Revolution is in the best interests of the American commonwealth, and, if not, what weapons are available for the Counter-Revolution?"



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# THE *Freeman*

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LEONARD E. READ

THE STEEL INDUSTRY, the textile, glass, and oil companies, the makers of watches, bicycles, electric lamps, and a host of other products are beset by foreign competition. Now, in any industry, every marginal, high-cost producer faces the prospect of failure. But, on occasion, the sharpness of foreign competition may squeeze many domestic producers to the wall unless they can obtain relief. So, they draw together in search of a remedy.

What remedial measures first come to mind? Doing away with the real causes of the trouble? Rarely! Mostly, such trade-destroying devices as tariffs, quotas, embargoes are proposed, these being political interventions to com-

pensate for uneconomic practices already in effect. Thus, one mistake leads to others that may build into a whole chain of bad practices.

What, really, is happening here? We know, of course, that capital and tools improve a worker's efficiency. And some industries more readily lend themselves to mechanization than do others. In industrialized countries we find types of production that require large amounts of capital per worker while others still depend mostly on raw manpower. And in the highly mechanized, highly capitalized U.S.A. we might expect efficient production in the mechanized industries, whereas foreign producers with comparatively less capital might hold a comparative

advantage over us in the labor-intensive occupations.<sup>1</sup>

But today we find even our highly capitalized industries buckling under foreign competition. This doesn't make sense. Never before have we had so many tools and so much capital per worker as today. And most foreign producers have not come close to us in that regard. So, why are they giving us such rough competition?

**Self-Hobbled—We've No One to Blame but Ourselves**

The explanation lies not in what foreigners are doing to us but, rather, in what "we" are doing to "ourselves." Some of our producers are being priced out of the world market. And this is being done by an accumulation of costs and by methods of pricing that are demonstrably wrong. Further, most of us are quite agreed that they are wrong, that is, if we test our opinions by how we act individually and on our own responsibility. This is the way to discover how each of us believes "deep inside."

Take the example of paying farmers not to grow peanuts. Hardly anyone seems concerned about the costs or the desirability

of this program when the forcible transfer of funds from taxpayers to farmers is done by government. But one would look in vain for a farmer who would personally use force on other citizens to provide himself a living in exchange for doing nothing. And it would be difficult to find anyone who would condone such an act on the part of a farmer. Who among us would ever think of approaching a farmer in this manner? "Here, John, is \$25 for those peanuts you didn't grow for me this year." "John" doubtless would refuse the \$25 if anyone offered it that way. No one but an out-and-out thief really believes in feathering his own nest at the expense of others.

We have in this single, relatively minor example an irrationality—a contradiction between belief and action—that costs millions of dollars annually. This cost finds its way into increased taxes and becomes a cost of doing business—the steel business or whatever. Multiply this by thousands of similarly irrational costs, running into tens of billions, and we can see why American producers are more and more plagued by foreign competition. They are burdened by increasing costs over which they have no control.

It seems unbelievable that we could be running ourselves out of

<sup>1</sup> "Labor-intensive" is a part of the economists' nomenclature. Examples: Baby sitting, picking and culling coffee beans, activities that do not lend themselves to mechanization.

business by practicing what all of us really believe to be wrong!

All I wish to examine here is the irrational aspect of our competitive problem. Why this double standard of morality, believing one way and acting otherwise? Unless we know where the answer is to be found, American producers will continue to seek solution in trade-destructive "remedies" such as tariffs, quotas, embargoes.

I repeat, our producers are faced with costs over which they have no control, costs arising from actions that are believed to be wrong. But they are also confronted with methods of pricing that further weaken their competitive position, methods that no one, "deep inside," believes to be right. If we will examine one of these widely practiced pricing schemes that no one believes in, we can at least identify where the competitive trouble begins.

### **Coercive Pricing**

But first, what is this irrational pricing method? Broadly speaking, there are two methods of pricing. One is free pricing, arrived at in the give and take of *willing* exchange. The other is *arbitrary pricing*, founded on the coercive practice of *unwilling* exchange. In the first method, the price for a good or service is

whatever amount you or others will exchange freely and willingly. In the second method, the price for a good or service is whatever amount can be taxed or forcibly extorted from you or others. One rests on *your* choice as to how you use *your* property. The other rests on *someone else's* decision as to how to use *your* income and property.

Coercive pricing is demonstrably wrong. A classic example, the one among ever so many which I wish to use to make my point, is the strike. While widely used, no one believes it to be right.

Strikes have played an important role in pricing American products out of the market. Yet, all too many persons will stoutly defend the strike while believing it to be dead wrong.

The strike is strictly a pricing device, a means of raising some wages above the market rate. There is no other reason to use it.<sup>2</sup> Of some 17,000,000 members of labor unions in the United States, about a tenth of them participate in one or more "work stoppages" each year—an application of this coercive pricing

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<sup>2</sup> Strikes never accomplish more than to raise some wages at the expense of others; they do not and cannot raise the general wage level. See *Why Wages Rise* by Dr. F. A. Harper (Irvington, N.Y.: The Foundation for Economic Education, Inc., 1957), 124 pp.

measure.<sup>3</sup> The coercion is applied in forcibly preventing others from working at jobs the strikers have vacated and at wages they have rejected. Work stoppage is production stoppage — *costly!*

This device is viewed with alarm by employers, employees, and consumers alike. Yet, it is difficult to find a person, even among employers, who will not concede "the right to strike." This is an overt concession to coercion as an appropriate method of pricing.

### **Doing What No One Approves**

But how many really believe in this method of pricing? Not even the strikers themselves! For if they believed coercive pricing to be sound in principle, they would never try to satisfy their own wants at lowest possible prices. Instead, they would patronize monopolists only, always shopping for goods that are coercively priced above the market.

Anyone who believes the strike or monopoly method of pricing to

<sup>3</sup> Ten per cent of union membership is only 2 per cent of the total work force and thus some may ask, "What harm can be done to the economy by these few?" Merely bear in mind that when a small fraction of these 2 per cent strike General Motors, for instance, millions of workers in related industries, even those not unionized, are put out of work. Also, the threat of coercion is often quite as potent as the ultimate action would have been.

be just and valid would try to find sellers who employ that method. For instance, they would seek a doctor who demands a high fee and insists: "You accede to my demand or I shall no longer attend your ills. Further, I shall use force if necessary to keep any other doctor from attending you."

Do any of us, even strikers, look for such sellers?<sup>4</sup> Indeed, not! Instead, all of us, including Mr. Union Leader, shop around for the best quality and the lowest price obtainable. Try to find the person who will pay \$100 for the identical suit of clothes that can be bought next door for \$50. While we rarely think of it in these terms, *all of us try to buy each other's labor as cheaply, not as dearly, as possible.*

Every penny of the price we pay for any good goes to individuals for wages, rent, interest, transportation, storage, or some other productive service. Parenthetically, a low-priced good more often than not returns a higher wage than a high-priced good. But this does not alter the fact that, when buying, we seek services at lower, not higher, prices.

Nor need we be led astray by

<sup>4</sup> Some will claim that the union boycott of nonunion goods answers this question affirmatively. Gross inattention to the boycott is compelling evidence that union members do not believe in their own method of pricing.

the fact that all of us try to sell for as much as we can and buy for as little as possible. This is at once a natural and commendable trait when confined to the peaceful give-and-take of the free market. But we do not approve, at least in principle, gratifying these inclinations by brute force, either in selling or buying. Were we to approve coercive pricing, we would witness the grocer forcing the customer to pay a dollar for his can of beans and the customer forcing the grocer to sell his beans for a nickel. Utter nonsense!<sup>5</sup>

So here we are pricing ourselves out of world markets by adding costs we don't really believe in, and over which the producers have no control, and by pricing schemes that are demonstrably unsound. And, judging by our actions as buyers, we seem to be unanimously agreed that such pricing is wrong and unsound. Why this distinction between what we really believe and what we daily practice, and more or less condone? One would think that such a serious waste of resources, when agreed to as unsound, would be easy to eliminate. Why do we persist in these practices? Some-

thing is amiss; there is, as we say, "a slip 'twixt the cup and the lip."

We must conclude that foreign producers are out-competing American producers because we are practicing what "deep inside" we know to be wrong. If I may coin a phrase, we are suffering from a psychic short circuit. We are failing miserably to reason from our own moral premises to practical conclusions!

### ***The Teaching Problem***

Put yourself in the role of teacher, charged with thinking this through and giving corrective instructions. You have finally discovered where the trouble is. But what is the remedy? Would you hammer away at the bad economics of coercive pricing? This would be just as futile as explaining the bad economics of stealing, that is, of some feathering their nests at the expense of others. *Everybody already agrees that coercive pricing and stealing are bad economics.*

We must continue to teach sound economics, to be sure. But when it comes to these particular troubles we find that the remedies lie beyond the scope of economics. Other disciplines — moral philosophy, psychology, logic, psychiatry, sociology — must be brought into play.

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<sup>5</sup> Arbitration, which in the final analysis is but a variation of coercive pricing, would price the beans somewhere between 5¢ and \$1.00. No one, if properly tested, believes in this kind of pricing.

What is it the effective teacher must first learn, and then learn how to explain, if foreign competitors are not to run American industrialists out of business? The answer, I feel certain, lies deeper than we think.

### **Crowd Behavior**

Most individuals when acting personally and in their own name — when acting in you-and-me situations — are above reproach. They can be trusted; their word is as good as their bond. The promises men live by are far more honored than breached in man-to-man dealings.

We would like to think that this personal rectitude, seen on every hand, is a rationally structured conduct, that it has its origin in the reasoning mind. Has not pure logic commended to these people that fairness, honesty, justice, respect, freedom are essential ingredients for mutual upgrading and peaceful living together?

A forbidding suspicion: This individual rectitude, practiced so widely, these moral directives "deep inside," may, in most cases, be more from habit than reason. No rational and logical mind would abruptly fail to function the moment numbers are introduced. No thinking person would condone or support a collective action that would be repulsive to him as a

personal action. Reason and logic possess probing qualities and have no such boundaries; practical conclusions are logical extensions of moral premises.

Merely observe that millions of individuals who would not steal or coercively price when acting in their own name and on their own responsibility will do so when they act in the name of a collective: the union, a church, a chamber of commerce, society, the majority, and so on. If these people cannot reason from the singular to the plural, how can we assume that their personal rectitude is the result of reasoning and logic? It must be only instinctive or imitative.

Is the effective teacher confronted with the utterly baffling problem of getting people to reason, to think things through for themselves? Even those individuals potentially able to do so cannot make the grade short of a self-generated motivation, a hard-to-come-by initiative. How can initiative be taught? I gather that initiative is more inborn or "caught" than taught, that it is occasionally picked up by persons when in the presence of exemplars, initiative having a contagious quality of sorts.

Individuals who have the capacity to think things through for themselves and who, at the same

time, have the gumption, the get-up-and-go, the enterprise to do so, appear to be the only ones who can qualify as exemplars and, thus, as effective teachers.

### **A Strictly Personal Problem**

What is it they must understand and learn how to explain?

First, that which lies "deep inside" — conscience, if you will — is exclusively a trait of the individual, never of any organization, institution, collective. Further, its mandates are as close to rightness, soundness, righteousness as is possible for any person. Even more: every step in human progress, insofar as man has had a hand in it, is a manifestation of that which lies "deep inside." Progress can never be ascribed to any corruption of conscience!<sup>6</sup>

Second, the responsibility for one's actions cannot be shifted, certainly not to anything impersonal and incapable of bearing responsibility. Unions, churches, chambers of commerce, and the like are of this abstract nature, mere names

we give to groups of persons. These abstractions can no more bear responsibility than they can bear children, or speak, or think.

Third, any action an individual supports or condones is *his* action. If it be contrary to what lies "deep inside," it is wrong according to his own standards. And to hang the name plate of the wrong action on the union or some other collective is only to hide behind the cloak of anonymity — like an ostrich with his head in the sand. The individual's responsibility for what he supports or condones is inalienable, as inseparably linked to him as is his psyche, his soul, his mentality.

If American producers are to cope with foreign competition, the way, I suspect, will not be found in trade-destructive expedients. It lies in finding and removing the causes of their present plight. The only reason that causal identification appears so deep is that it's new territory, an area rarely explored.

### **The Will to Improve**

Actually, the remedy is not that difficult. It simply calls for (1) doing what one believes to be right, that is, obedience to what lies "deep inside," (2) avoiding the snare that something other than self can be responsible for what one supports and condones, (3)

<sup>6</sup> "I suggest that we postulate that the intangibles of truth and beauty, human freedom, courage, honor, honesty are the core of the truly basic realities; and that the supposed realities which we see and touch and feel are really only shadows cast by these truly basic dynamic forms in their many embodiments." From *The Symphony of Life* by Donald Hatch Andrews (Lee's Summit, Mo.: Unity Books, 1967), pp. 257-258.

logically reasoning from what's "deep inside" to practical conclusions, and (4) the will and the gumption to reason, that is, to think things through.

The fact that few can carry out even these prerequisites to a healthy commerce is no occasion for discouragement. There are plenty who can — *if they will!*

If they will! The deterrent is the plaguing thought that if I practice what I believe to be right while others do not, I'll go down while they survive. As if every step toward progress had to be taken simultaneously and unanimously — like a regiment does the goose step. It never has been thus, nor will it ever be! Were this the rule, man would still be at the primitive stage. Every advance in human history began with a single step by some lone individual toward what he believed to be right and just and sound.

Admittedly, it seems risky, even dangerous, to follow the dictates of one's conscience when others do not. But is it, really? Hearsay reports about what has happened to others often are erroneous and

misleading. For the right answer, carefully examine personal experiences; only in these is the truth revealed.

Aside from an occasional "boner" in presenting and standing for what's "deep inside," integrity to conscience "pays off." Nor is the reason difficult to find. Fainter hearts, longing for the "courage" they lack, admire and support those who honestly stand by their convictions. Longing to do right, but too timid to try it, they think of the right-acting person as their alter ego. Over and over again we hear the refrain, "I'm so glad you said it; that's what I was thinking."

Such integrity requires no unusual courage; only the knowledge that it's not dangerous to be honest. "To thine own self be true." Anyone aware of the dividends of such action demonstrates, not bravery, but wisdom and down-to-earth practicality. Further, he has the key to making what's "deep inside" go on outside, the key to not running ourselves out of business. ♦

#### IDEAS ON LIBERTY

#### *Freedom to Improve*

... but the only unfailing and permanent source of improvement is liberty, since by it there are as many possible independent centers of improvement as there are individuals.

JOHN STUART MILL

JOHN C. SPARKS



MANY a logical and practical man seems to go haywire in his expectations of government. He will sail right over the philosophy that would limit government to the protection of life, liberty, and property. When he sees human needs, he deems it practical to call for government action to relieve poverty and provide social security, medicare, school lunches, education, foreign aid, and other "charities."

He finds it inconceivable that business could function without such government services as the post office, highways, monetary controls, weather reports — and subsidized electric power, if he comes from the region of the Tennessee Valley Authority. He also expects "police protection" against economic adversity, unemployment,

price changes, and other aspects of competition.

Such great faith in government's ability to administer charities, services, and controls would suggest a long string of successes. At least, that's how most businesses gain a clientele. One satisfied customer is the advertisement to the next. When a businessman wants a new office building, he seeks an architect of demonstrated skill in the design of similar structures. Professional football managers try to fill their rosters with experienced players who show promise of greater success. An entertainer discovers that each round of applause is the steppingstone toward more popularity and demand. The successful consulting firm grows on its record for solving perplexing problems.

There is no finer recommendation than prior success — *except*

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where government is concerned. That's a different story, as the record clearly reveals.

### **Compounding the Problem**

In the area of "charity," it has compiled a miserable showing of waste and graft. Recipients, who need above all else to regain self-responsibility and self-reliance, are rewarded and encouraged instead to remain dependent. Unwedded motherhood becomes a livelihood. Unemployed persons choose to remain jobless because of the compensation. Educators and parents relinquish their responsibilities toward their children in exchange for state and Federal aid. The something-for-nothing years of the social security program are over. Henceforth, workers would do far better to buy insurance privately — if they had the choice. From medicare may be expected costly and inadequate service, wrapped in red tape and inaccessible when needed.

The government's record for rendering economic service also is deplorable. The monopolized postal service has been unimaginative and inefficient in contrast with other forms of communication. Operating costs rise year after year. Yet, in many respects, the quality of service has declined. Part of the rapid cost increase is paid directly by "captive" custom-

ers, the nation's postal users, through higher postal rates. The remainder is "out of sight" in the government's accounting records, adding to the taxpayer's burden.

Another economic service by a combination of municipal, county, state, and Federal governments is the network of highways across the nation. And to come across one of the completed stretches of the new interstate highways is a traveler's delight. Have we an exception here — government successful at something other than policing? Before passing judgment, consider the alarming increase in the highway death toll. The super highways have seen super collisions and super holiday casualty records as well as super traffic jams. The word is out in Los Angeles and other cities: Avoid the freeways when large numbers of motorists are likely to be using them.

The government has made quite a fuss about the safety of privately manufactured automobiles. Imagine the furor over traffic congestion and highway fatalities if the roads were privately owned and operated! But hardly anyone ever thinks about that possibility. If we did, we might dream of the convenience and safety of a highway system under competitive private enterprise rather than a governmental monopoly.

Government also has monopo-

lized the business of money and credit, with a sorry record of booms and panics and depression—and endless inflation. But where is the “practical” man with an alternative monetary system?

#### **When Government Plays a Handicapper's Role**

Another governmental role accepted in blind faith by the practical man is that of the handicapper, arbitrarily adjusting the voluntary agreements that have been reached in the market place. In 1966, Florida orange growers had a bountiful harvest, a surplus situation from which the U. S. Department of Agriculture hastened to rescue them. But the price support program, based on use of orange juice in the school lunch program, afforded little help. Finally, the processors wisely cut out of the government program with a sales campaign to *sell orange juice at lower prices*. Early results indicate success; consumption is running 20 per cent heavier than in the previous year. Juice processors and consumers, in this instance, have found a way around the government's good intentions. May it serve as a lesson to all who place their faith in the “practicality” of government relief!

This poses a provocative question. Why is it that when a man of proven ability in private under-

takings is ordained with governmental power, he so often becomes a hobble to progress? Why the difference between the success he was and the failure he becomes?

There is a difference — of this there can be little doubt — but what is that difference? Call the difference self-reliance. Call it self-responsibility. Call it incentive to achieve a greater reward. Call it a fear of not succeeding. Call it a burning desire to serve customers better than does a competitor. Call it any or all of these. A businessman places his savings and personal effort on the line, betting he will succeed. He must rely upon himself; success or failure is his personal responsibility. If he does not attract enough customers, he will not obtain a satisfactory income and may even lose his savings. He risks all this on his ability to serve others and achieve in return the financial and psychological rewards of profit and satisfaction. The private ownership spur is two-fold and very real — fear of failure, and pleasure of success.

Now, put this successful businessman in government office, and he will have to operate without those incentives. There is no penalty involved for the lack of self-reliance unless gross neglect of duty or misconduct occurs. Government seldom permits the

existence of competition. Consequently, there is no need to perform well in order to attract more customers. Nor is there any compelling reason to perform efficiently. There is no competitive standard with which to compare results. With what private postal system can one compare the government's performance? There is always the taxpayer to cover deficits.

The profit incentive makes the difference. In the absence of that incentive, it seems most unlikely that a Henry Ford, Thomas Edison, Charles Kettering, or David

Sarnoff will ever emerge from the ranks of government employees.

It is not a matter of selecting the "right" persons for government jobs. It is a matter of selecting the jobs that government is competent to perform. The organization designed to defend people lacks the disciplines and incentives for successful business operation. So let's be truly practical. Let the police force attend to its appropriate defensive functions. And let economic services be performed in open competition by responsible individuals with a proven capacity for such service. ♦

#### IDEAS ON LIBERTY

### *Herbert Spencer*

MARVELLOUS are the conclusions men reach once they desert the simple principle that each man should be allowed to pursue the objects of life, restrained only by the limits which the similar pursuits of their objects by other men impose. A generation ago we heard loud assertions of "the right to labor," that is, the right to have labor provided; and there are still not a few who think the community bound to find work for each person. Compare this with the doctrine current in France at the time when the monarchical power culminated; namely, that "the right of working is a royal right which the prince can sell and the subjects must buy."

This contrast is startling enough; but a contrast still more startling is being provided for us. We now see a resuscitation of the despotic doctrine, differing only by the substitution of trade-unions for kings. For now that trade-unions are becoming universal, and each artisan has to pay prescribed monies to one or another of them, with the alternative of being a non-unionist to whom work is denied by force, it has come to this: that the right to labor is a trade-union right, which the trade-union can sell and the individual worker must buy!

# COMMUNISM

**After  
Fifty  
Years**

WILLIAM HENRY CHAMBERLIN

THE YEAR 1967 marks the fiftieth anniversary of two events of world importance, the consequences of which are still very much with us. One event was the United States decision to intervene in World War I, following the German declaration of unlimited submarine warfare. The other was the seizure of power in the vast Russian Empire by a small disciplined band of extreme revolutionaries, then known as Bolsheviks, now more descriptively designated as communists. The first put the United States on a merry-go-round of European and world power politics, easy enough to mount, but costly to ride and hard to get off. The second replaced the authoritarian, tradi-

tional rule of the Czars by a much more ruthless, scientifically organized dictatorship of a single political party — more accurately, by the top leadership of that party.

Russian communism has experienced many changes in methods of administration and in governing personnel. Most of its founding fathers perished in Stalin's paranoid purges. However, two basic principles have survived intact. Lenin is supposed to have said that there could be any number of political parties in Russia — provided that the Communist party was in power and all the other parties in jail. This is an excellent description of how the Soviet Union is governed. Stalin, writing in the official party newspaper, *Pravda*, on November 26, 1936, spelled it out plainly:

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Mr. Chamberlain, Moscow correspondent for the *Christian Science Monitor* from 1922 to 1934, is author of the definitive two-volume history of the Russian Revolution and numerous other books and articles on world affairs.

In the Soviet Union there is no basis for the existence of several parties or, consequently, for the freedom of parties. In the Soviet Union there is a basis only for the Communist party.

There is no toleration for opposition parties; and organized dissenting groups within the Communist party are also strictly forbidden. The consequence is that effective decision-making power is concentrated in the hands of a very few men, sometimes one man, at the head of the party organization.

#### **Total Control**

The other permanent principle of communism in practice is that the government, in one form or another, undertakes to manage the whole economic life of the country. In the first phase of the Revolution all private property, except for personal belongings, was confiscated and nationalized. After an early period of chaos, all factories, mines, railways, public utilities, and stores were placed in charge of a host of state bureaucrats.

At first the peasants were left more or less undisturbed on their small twenty-acre farms, following the confiscation and dividing of the estates of the large and medium landowners. But 1929 marked the beginning of a process lasting over several years and carried on with the utmost brutality. Peasants

were subjected to such measures as wholesale deportations to forced labor and one politically organized great famine. They found their individual possession of land abolished and themselves regimented in collective farms; what they raised and what they received for their produce were determined by the government.

Communism was an outgrowth of World War I. And world war led to an extension of the area under its control. By 1945, communist power prevailed in a large number of formerly independent states in Eastern and Central Europe. Stalin had once declared: "We do not want a foot of foreign soil; we shall not yield an inch of our own." But he might more accurately have said: "We do not want a foot of foreign soil, except Estonia, Latvia, Lithuania, Poland, Hungary, Czechoslovakia, Bulgaria, Roumania, Yugoslavia, parts of Finland, East Germany."

At least, this was how the political map of Europe looked shortly after the end of World War II. Yugoslavia, to be sure, broke away to the status of an independent state in foreign relations, although it retained the one-party system and a somewhat modified form of state control of the economy. These were not, as the Russian had been, spontaneous revolutions, arising out of the miseries and dislocation

of war. Communism was imposed on Eastern and Central Europe from without, by the tanks and bayonets of the Red Army.

China, on the other hand, experienced pretty much what happened in Russia in 1917. Eight years of exhausting war with Japan, accompanied by Japanese occupation of the largest Chinese cities, had created a situation in which the power and authority of the nationalist government, under Chiang Kai-shek, were gravely undermined. Inflation had almost destroyed the value of the Chinese currency and many Chinese – mistakenly, as they realized too late – believed that communism could be no worse than existing conditions and might bring some improvement.

In the first years of the Soviet state, created by the communist revolution of November, 1917, the system was so new, so untried, that there could be the widest differences of opinion about its future prospects. Majority opinion in the West was most impressed by stories of terror, violence, hunger, and general misery. But a minority clung to the hope that communism would provide an answer to the problems and frustrations of modern society. So varied were reports of observers returning from Russia that it was hard to believe they were speaking about the same country.

There are still pronounced differences of opinion, judgment, and emphasis in writings about the Soviet Union. But the facts are now well established, and some broad conclusions may be stated with confidence.

### **Endurance of the System**

First, communism, as it has developed in Russia, is a tough, durable system, which cannot easily be overthrown, either by a palace coup or by erosion from within. One need only look at the historical record. The governing system set up by Lenin has survived numerous threats:

- Prolonged civil war;
- Allied intervention, although on a halfhearted and ineffective scale;
- Two major famines;
- A German invasion that led at one time to the occupation of a large part of European Russia;
- The savage struggle to bring the peasants under the yoke of the collective farm;
- Several periods of distress and general shortage and misery uncommon even by Russian standards (the years of civil war and economic collapse, 1917-1921, the time of forced collectivization, 1929-1933, the years of war with Germany and postwar reconstruction).

This was due to the formula of government worked out, consciously or unconsciously, under Lenin. It was further modified by Stalin and was imitated to a considerable extent by the fascist dictators, Mussolini and Hitler. What this amounted to was rule by a combination of unlimited terror and unlimited propaganda. The people who were not convinced by the propaganda were intimidated by the terror, by the knowledge that there was no means of organized effective resistance.

Free men who are accustomed to the expression of diverse views find it difficult to understand, even to imagine, the power concentrated in the hands of the Soviet totalitarian state. Suppose the government in this or any Western country controlled every printed or publicly spoken word, directed the policy of every newspaper and magazine, used the theater, the movies, the youth organizations as instruments of propaganda, dictated what should be taught from kindergarten to university, employed radio and television as its mouthpieces, forbade the importation of foreign newspapers and politically questionable books from abroad. Suppose, in addition, that anyone suspected of disloyalty was liable to arrest and banishment to hard and disagreeable work in some remote part of the country.

The chances are there would be few open dissenters.

#### ***Survival Depends on Use of Some Capitalistic Practices***

Second, communism has only been able to function as a going concern by adopting some of the methods which its advocates violently denounced in what they called the capitalist system. The old communist ideal, "From each according to his ability, to each according to his need," has been consigned to the mothballs. Extensively copied are the incentives of a wage and salary system, with higher pay for higher skills. Differences in food, dress, and standards of living are sharper in the Soviet Union than in the West, especially so because there is much less to go around.

Such egalitarian experiments as equality of wages and the limitation of the pay of communists to the standard of a skilled worker have been discarded as impractical. In recent years there has even been an attempt, with little success, to gain some of the recognized advantages of the free market system without instituting its essential component, private ownership. Despite communist propaganda to the contrary, the transfer of economic ownership has been, not to the workers, but to bureaucrats who are less concerned with the inter-

ests of the workers than in making a profit for the state.

### **No Proof of Superiority**

Third, after fifty years, communism has emphatically failed to prove itself a superior productive system in comparison with an economy based on individual ownership. Lenin and his followers took over a huge country, so rich in natural resources as to be almost self-sufficient. Five decades later, the Soviet living standard is one of the lowest in Europe, much lower than in the United States and Western Europe, even lower than in such satellite states as East Germany and Czechoslovakia.

Nor is there any reason to believe that in the foreseeable future the Soviet Union and other communist-ruled countries will achieve or approach the ideal proclaimed by Stalin and Khrushchev: to overtake and outstrip America. The agricultural record of the country under collective farming is a disgrace. Quite recently the Soviet government found it necessary to make large purchases of grain in the United States and other foreign countries, whereas prerevolutionary Russia had been a large exporter of wheat. Removing the automatic incentive of private ownership from Russian farming was like taking an irreplaceable dynamo from a machine.

The consequences of nationalizing all shops and service industries have been equally disastrous: indifference to the customer, poor quality, absence of initiative in making improvements. To be sure, there have been striking advances in the quantity of industrial output, in scientific accomplishment, and especially in the exploration of space, in the spread of education, in certain modernizing changes in urban life.

But Russia under any system would have achieved substantial progress over half a century. It was experiencing a rapid economic growth in the decade before the outbreak of World War I. Many projects of which Soviet publicists like to boast were on engineers' drawing boards before the Revolution. The Soviet Union should be compared, not with Russia in 1917, but with Russia as it might otherwise have been in 1967. Judging from pre-Revolutionary trends, the noncommunist Russia of 1967 would have shown substantial economic and social progress, less spectacular than the Soviet in some fields, but better balanced and more conducive to the comfort of the average citizen.

### **Maintained by Force**

After fifty years, there is no indication that communism could win majority support in any coun-

try without the use of force, violence, and terrorism. Voluntary movement is almost always away from, not toward, communist-ruled countries. There have been two waves of migration from Soviet Russia, involving hundreds of thousands, if not millions, of people. One was immediately after the Revolution; the other was after World War II when many Russians who had been forcibly or voluntarily evacuated from the Soviet Union during the time of German invasion chose not to go home. The part of Germany under Soviet occupation, quaintly called the German Democratic Republic, lost some four million of its citizens to prospering, free enterprise West Germany. Then the communists set up a penitentiary wall in the divided city of Berlin and an elaborate, closely guarded system of barbed wire entanglements and booby-traps along its entire frontier to prevent this continuous wholesale flight.

Hong Kong is packed with refugees from communist China. In the divided countries of East Asia, Korea, and Vietnam, it is the same story: a stampede to get away from communist rule. There has also been a large exodus of voluntary exiles from Poland and other satellite lands of Eastern Europe.

Among millions of "defectors," refugees from communism in many

lands, one recent case arrests attention. It is the flight from the Soviet Union, first to India, then to Switzerland, of Svetlana Alliluyeva, daughter of the formidable dictator, Josef Stalin, and her later appearance in the United States. Seeking the freedom of expression she was denied at home was a dramatic blow to the Soviet system in world public opinion.

The wheel, in her case, had come full circle. In April, 1917, Lenin left Switzerland, where he had found political asylum, to lead the communist revolution in Russia. Exactly fifty years later Stalin's daughter had returned to Switzerland — a refugee from the regime founded by Lenin and consolidated, built up, shaped in every detail by her own father.

### ***Serious Problems Persist***

Fifth, the United States and other noncommunist countries have their problems, big and small, political, economic, and social. But it would be an error to imagine that, merely because they have devised effective means of suppressing open criticism and discussion, the rulers of communist countries face no difficulties and problems of their own.

In China, there has for months been an obscure but evidently bitter state of near civil war between supreme dictator Mao Tse-

tung (whose "thought" is recommended as the panacea for all ills) and some of his closest associates. The consequences are still uncertain. There is more outward appearance of stability in the Soviet Union. But Lenin's and Stalin's heirs have not found the answers to two questions of paramount importance.

They have not found a means of transferring political power in peaceful and legitimate fashion. The quiet, unquestioning handing over of supreme authority from a President or Prime Minister to the representative of another party that has been victorious at the polls would be ludicrously impossible under Soviet conditions. As a result there is constant rivalry, tension, intrigue, in-fighting among the few men at the sources of political and economic power.

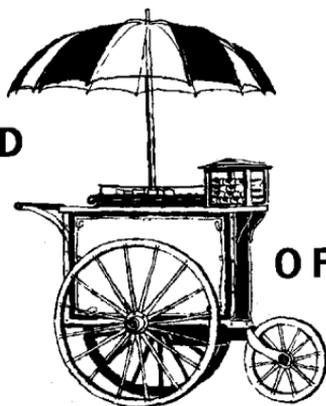
And, as the Soviet economy gets out of the primitive stage of trying to produce as much as possible and faces the need to make investment choices, even to pay some attention to consumer tastes, the lack of a substitute for the free market system becomes more and more painfully apparent. The free market presupposes free enterprise and private ownership; and efforts to obtain its benefits where these elements are lacking are foredoomed to failure.

### ***Our Danger from Within***

Sixth, what does communism, half a century after it was launched as a system of government in a large country, mean for the United States? If the United States will hold to the principles of economic individualism, communism is not and never will be a challenge in the sense of providing a better life for more people. Nor is there any serious threat of military conquest; the predictable suicidal consequences of a nuclear clash are the best assurance that such a clash will not take place.

The danger to the advanced industrial societies of the United States, Canada, Japan, and Western Europe is from within, not from without. Intensification of the trend toward omniscient government, drying up of the sources of future investment through excessive taxation, throwing more and more of the burden of supporting the unfit and the unproductive on the producing part of the population threatens to erode and finally destroy the incentives to hard work which help to make an individualist economy so superior to a collectivist. If America will live up to its better historic ideals, it can face the challenge of communism undaunted and unafraid. ♦

## A STAND



## OF ONE'S OWN

DONALD WARMBIER

ONE of the forgotten men of our age is the entrepreneur, the individual who, on his own initiative and judgment, at his own risk, goes into business for himself. The agonies and ecstasies of these unorganized iconoclasts have usually been ignored by press, politicians, and public, including myself. But a chance encounter with one of these otherwise forgotten individuals has given me a feeling of empathy with an entrepreneur.

He sat next to me on my flight back to Detroit from Kennedy International, a trimly-built gentleman about 45 years of age, with gray hair and gold-rimmed glasses. We began conversing on the AFTRA strike, then in its second day. I found my traveling compan-

ion to be the owner of an advertising agency, a self-made man who through long years and hard work secured for his firm numerous accounts for the producing of TV and radio commercials. This production had been halted by the strike, however, and his firm was experiencing losses. He told me of those losses, incurred because of an unforeseeable strike to which he was not a party, without resentment, as if the bearing of such risks were a part of the standard operational procedure of his profession. And so it is. For the entrepreneur works without seniority, tenure, or unemployment compensation, deriving income when his firm earns profits, suffering if it doesn't. And while that day's newspaper accounts of the AFTRA strike told of the wages foregone

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by the striking employees, the losses of an entrepreneur went unmentioned.

Our discussion turned to England, from where my companion had just returned after the production of several TV commercials. England seemed to him a stifling and suffocating place, in spite of the recent creative outbursts of popular music there. He saw the current flow of British talent into the music and entertainment fields as a direct consequence of the drying up of other forms of entrepreneurial opportunity. Heavy progressive taxes have left entertainment one of the few fields in which budding entrepreneurs can acquire the seed capital needed to launch new ventures.

My companion recalled his own climb from a tar-paper shack in

Kentucky, and how much more difficult punitive taxes made it. "The government takes 60 per cent of my income," he said. Here was the type of man politicians put out of their minds when they endorse soak-the-rich taxation, the entrepreneur of self-made means who must overcome such onerous burdens if he is to succeed.

We were approaching for landing as I asked my companion a final question: Why, with all the unforeseeable risks, the personal losses, and the burdens of government taxation, did he decide to go into business for himself, to become an entrepreneur? The answer came quickly, without pause for thought, as if he were stating a self-evident axiom: "I'd rather run a popsicle stand of my own than work for some government bureau." ♦

#### IDEAS ON LIBERTY

### *The Business Climate*

"BUSINESS" is a product of civilization and it cannot exist for long in the absence of a specific constellation of conditions, chiefly moral, which support our civilization. The economic ingredient in the constellation is, as we shall see, free competition. But free competition cannot function unless there is general acceptance of such norms of conduct as willingness to abide by the rules of the game and to respect the rights of others, to maintain professional integrity and professional pride, and to avoid deceit, corruption, and the manipulation of the power of the state for personal and selfish ends.

## POST MORTEM ON

# The Lister Centennial

EDWARD P. COLESON

FORGETTING anniversaries can be embarrassing. This time, almost everybody's face should be red, except mine. We just overlooked the centennial of one of the truly outstanding events in human history. Now we'll have to wait another hundred years to celebrate right. It's the principle of the thing that bothers me, not just a teacher's sadistic urge to flunk everyone for forgetting some date that I happened to remember.

One hundred and two years ago this month an unknown Scottish surgeon made one of those fundamental discoveries of the ages, one to be ranked along with the discovery of fire, the wheel, the smelting of metals, electricity,

and atomic energy. But for the work of Joseph Lister and other well-nigh forgotten benefactors of mankind, many of us would have died in infancy as millions of others have died over the millennia of human history and as multitudes continue to die in the backward areas of the world even today. Truly, it may be said that "never were so many indebted to so few for so much."

What makes the oversight particularly exasperating is the fact that other anniversaries have been remembered. You will recall that in June of 1965 a popular magazine featured Napoleon on the sesquicentennial of Waterloo. Almost everyone celebrated the victory of Wellington and Blucher over the "Little Corporal," except

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the French who saved their fire-works for the nine-hundredth anniversary of 1066 last fall. It seems that de Gaulle was more interested in William the Conqueror's victory at Hastings than in one of Bonaparte's few defeats.

Of course, the way to avoid forgetting those important anniversaries is to plan ahead. Mark the calendar early and start getting ready for the celebration. I had been telling classes for several years that the centennial was coming. You know, "year after next" the hundredth anniversary will be upon us and the entire world will rise up in gratitude and pay homage to those pioneer "men against death"<sup>1</sup> whose researches have saved millions of lives over the century. Imagine my disappointment when August of 1965 rolled around with little visible recognition that there was anything special about that month. I checked the date in the library and even consulted my family doctor. The former confirmed the correctness of my timing, but the latter had noted no special excitement in the medical journals or among the profession. Evidently, they had forgotten, too.

It is natural that we be selective about what we choose to cele-

brate. Every day must be the centennial of something or other. Some of these events, recent and remote, are noteworthy, too. For instance, 1964 was the nineteen-hundredth anniversary of Nero's slum clearance project, prelude to urban renewal at Rome — and Nero didn't have to pay the fiddler since he furnished the music himself. Whatever one may think of the ancient worthies and rascals, clearly we cannot remember all of their doings. But why we choose to remember some and forget others is a mystery. And certainly there are far-reaching consequences of these decisions as well as other choices we make. Edward Gibbon warned us long ago:

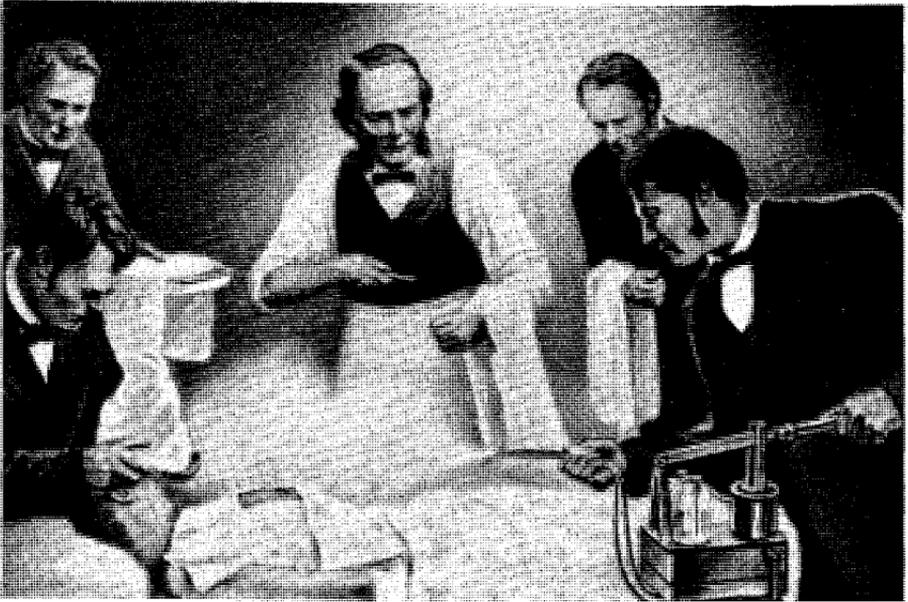
... as long as mankind shall continue to bestow more liberal applause on their destroyers than on their benefactors, the thirst of military glory will ever be the vice of the most exalted characters.<sup>2</sup>

#### **"Equal time" for Benefactors of Mankind**

Now I am not suggesting that we erase those rascals from our history books — Alexander, Nero, Napoleon, and a host of others — but simply that we give useful and respectable people equal time. Take my hero, Joseph Lister, for

<sup>1</sup> This is the title of a book by Paul de Kruif, better known for his *Microbe Hunters*.

<sup>2</sup> Edward Gibbon, *The Decline and Fall of the Roman Empire* (Modern Library edition), Vol. I, p. 6.



Lister directing use of carbolic acid spray in one of his earliest "antiseptic" surgical operations. (*Bettmann Archive*)

example. Here we have all the elements of a good story, minus the sadistic and gruesome which should interest no one. His activities may have saved more lives than some of those conquerors destroyed, which should give him a fair claim to fame. His is the classic success story of how persistent effort triumphs over the apathy of the masses and the opposition of misguided but well-meaning people. He was a surgeon in those tragic days after the discovery of anesthesia in 1846 made surgery common because it stilled the cries of the patients but more deadly

because fatal infections developed in the overwhelming majority of the incisions. Groping, he stumbled upon the writings of a French chemist, one Louis Pasteur, and surmised that wounds would heal without infection if those mysterious micro-organisms Pasteur had studied could be excluded or killed. His methods were crude and unpleasant, but sound in principle, truly one of the few revolutionary developments in history. No doubt, many now reading these lines owe him their very lives. The last century in surgery has seen but the refinement of his

technique. As Dr. Victor Robinson says, "Joseph Lister's manifold labors may be read in the volumes of his *Collected Papers*, but his lifework is summed up in a phrase: he made surgery clean."<sup>3</sup> In our preoccupation with detail and trivia today, we lose sight of the importance of sound principles as a point of departure.

Now, for the date of this epoch-making discovery. After a great amount of groping, Joseph Lister tried his new idea on a compound-fracture patient on August 12, 1865. Few days in human history have been so fateful for mankind or so unnoticed then and now. His method was bewilderingly simple. He just sterilized his instruments with carbolic acid and had it sprayed over the incision as he operated. The standard treatment for compound fractures with open wounds back then was immediate amputation, which proved fatal in many cases. Lister saved not only the patient's limb, but perhaps also his life. Other operations in the ensuing months were equally successful.

### **Slow Acceptance of New Ideas**

Lister should have been hailed forthwith as the greatest surgeon of all time. But the doctors, like the rest of us, were reluctant to

change their ways. For years they had prided themselves on their dirty operating coats. The filthier the better, since a great accumulation of dried pus and blood indicated a wide practice. But their patients died up to a hundred per cent. Indeed, a famous surgeon of the time once remarked that an English soldier on the field of Waterloo stood a better chance than a patient — let us say victim — on an operating table in a hospital. It was even urged back then that hospitals be abolished since they were so obviously fatal. Lister sought to change all this and produced evidence that he was more than another charlatan or quack of which there had been too many already. But it took time for his ideas to catch on. We human beings have a right to be cautious since we have lost our way on many a detour over the ages. But it does seem that we might catch on faster than we do at times.

The next crucial date in the sanitary revolution of a century ago was the meeting of the British Medical Association in August of 1867 — a centennial we might yet commemorate in lieu of the one we forgot August 12 a couple of years ago. Lister read the only paper worth hearing on August 9, but his contemporaries did not appreciate the fact until long after-

<sup>3</sup> Victor Robinson, *The Story of Medicine*, p. 423.

ward. Lister was not dramatic, being by no means an orator; and the other surgeons gave him a rough time in the question-and-answer period following his presentation. But his ideas won out and rather speedily, too, once the movement got under way.

We cannot help the fact that our fathers caught on slowly, but we could remedy our own perverted sense of values that glorifies the vicious and forgets the constructive. One could rewrite the history book with profit, emphasizing the beneficial, and passing briefly over the tragedies of the ages. And I would like to nominate for honors a host of solid citizens who worked for the betterment of mankind in medicine, in industry, in agriculture, and wherever else men and women have labored, however humbly.

#### **Some Anniversaries for the Future**

Since we forgot the great surgical centennial, perhaps it would be well to sit down with the history book and the calendar to start planning ahead for the next notable anniversary. May I suggest a "double-header" coming up year after next: the bicentennial of the patenting of Richard Arkwright's "automated" spinning wheel and James Watt's improved steam engine. Here we have the genesis of the industrial age with

its greater abundance for all. Like the medical revolution of a hundred years ago, industrialization has been a great boon to a lot of rather ungrateful people who take their blessings for granted and forget how their improved standard of living became possible. Worse still, these benefactors of mankind are not simply forgotten as was Joseph Lister. The good they have done is disregarded, and the "growing pains" of the new industrial era they helped to usher in are magnified out of all proportion and even distorted to make over these captains of industry into deep-dyed villains. And strangely, all of this is done by intellectuals who enjoy all the fruits of those pioneering efforts and clamor for more, while they continue to vilify those who made it possible. Certainly, it would be appropriate as part of the bicentennial celebration for Watt and Arkwright that we set the record straight on the so-called "Industrial Revolution." As an introduction to this study, may I recommend the book, *Capitalism and the Historians*, edited by F. A. Hayek.<sup>4</sup> It is about time we corrected some of these misconceptions.

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<sup>4</sup> University of Chicago Press. Also available from the Foundation for Economic Education, Irvington-on-Hudson, New York, \$1.75.

**Be Ready for 1976!**

For those who like to plan a little farther than just two years ahead, may I point out that 1976 will soon be upon us. This is also a double bicentennial, since this is the anniversary of both the Declaration of Independence and the publication of Adam Smith's *Wealth of Nations*. Rather interestingly, there are already some hardy souls getting set to celebrate the latter. One such organization is the "Invisible Hand Society," recently formed for this purpose.

With Adam Smith, there is also some correcting to do, as his disciples are so painfully aware. Perhaps a story will best illustrate the problem. Several years ago I decided to quit taking my *Wealth of Nations* in small, secondhand doses; so I set out to buy a copy of Smith's masterpiece for myself. I went to the local bookstore but the book was not to be found, although Marx's *Capital* was quite conspicuous. A few weeks later I tried again in a much larger city. Still no Smith, but there was Marx once more. Some months later I looked through the big bookstore of one of the state universities with the same luck. Always there was Marx but never Adam Smith. Finally, I ordered a secondhand copy through a bookstore in Chi-

cago.<sup>5</sup> It would appear that Adam Smith's ideas have been as completely misled.

The prominence of *Das Kapital* suggests still another anniversary. In 1983 is another twin centennial: the death of Karl Marx and the birth of John Maynard Keynes. Now, if present trends continue, it is quite possible that communism may complete the conquest of the world by force of arms and subversion by 1983 — just in time for Orwell's *1984*. But I have faith that this will never happen. There are powerful factors working against communism today, such as mass disillusionment around the world, particularly in those countries that have had firsthand experience with the vicious system. Communism has promised much but has delivered little, except terror, poverty, starvation, and death. Quoting Lincoln, "You can't fool all the people all the time"; and a host of people have long since caught on. If we would just clear our own minds so that we could present a constructive alternative, this could be the psychological moment for a great revival of freedom. ◆

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<sup>5</sup> I note, with pleasure, that several inexpensive editions are again in print today. The Foundation for Economic Education stocks the 2-volume Dutton edition, at \$4.50.

# Poverty of WHAT?

DONNA THOMPSON

NEWSPAPERS and magazines have been filled with articles about the war on poverty. But it seems that these analysts think of poverty only in terms of money income. The government is trying to provide income of a certain amount in the belief that, with material poverty obliterated, the individual can have all the good things in life and live happily ever after.

The popular impression seems to be that the individual cannot amount to anything in the world if he is poor financially. Apparently it has been forgotten that the great of the world have climbed to the heights from hovels, half-starved, perhaps, but undeterred from the things they desired.

That is where our modern thinking stumbles. The dictionary defines poverty as "a quality or state of being poor, any deficiency in what constitutes richness. Poor

—as poverty of soil or ideas. Poverty, a stronger word than poor, is the state of being in need." In need of what? Money, yes. But not money alone. We need a war on poverty of moral principle, poverty of character, poverty of ideas, poverty of ambition, poverty of courage, and poverty of determination.

I have been reading the life of Hans Christian Andersen. His father was a cobbler. His mother washed clothes in the river to help make a living. He was poor in this world's goods, hungry and cold, poorly dressed, and uneducated. But rich, very rich in ideas, in dreams, in courage, determination, and faith in God. Poor clothes and hunger could be endured as he reached to become a great novelist, playwright, and spinner of fairy tales that have delighted children around the world.

Abraham Lincoln, reading by firelight and candlelight, with ill-

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Mrs. Thompson is a housewife and free-lance writer in Southwest Missouri.

fitting clothes and no formal education, asked nothing of any man. He wanted a chance and made it for himself.

The pages of history reveal great actors, writers, lawyers, artists, ministers, politicians — the list is endless. They were poor. They were hungry. But they achieved because they were rich in many ways.

### ***The Nature of Growth***

We need to change our viewpoint. It is well to clean up the slums. It is well to try to find work for people who will work. It is a wonderful thing to provide an education for people who want it. But let us not mislead ourselves. Those who are poor in worldly goods will not be stopped if they are rich in character, moral fiber, courage, and ambition. They will develop the talent God has given them and nothing will stop them.

I do not mean that everyone has the divine spark of greatness. But any individual can help himself become a responsible, desirable citizen — not rich, but with enough — honest and law-abiding if he so desires. Look at the leaders in your own community, many of whom from poor beginnings have risen above their surroundings. And among your neighbors are many others who live in smaller houses and work for what they

have — not abundance, but enough — who go to church and send their children to school, whose pride will not permit them to ask for help and, if offered, will push the offer away with the answer, "Let me do it. I can do it for myself. I don't need any help."

I once knew a boy who was working his way through college. He had no money, but he was determined to go on to medical school.

"Medical schools cost a lot of money," I said. "I don't see how you can do it financially."

I'll never forget the way he looked at me or what he said.

"I've wanted to be a doctor since I was a little boy. The old country doctor in our town used to take me with him on his calls in his horse and buggy. And I'm going through medical school and become a doctor if I have to live on a sack of peanuts a day."

He became a very successful surgeon. He had started poor in money, but rich in dreams and determination. He would not be stopped.

Even the Great Master himself was so poor that he told his friends, "The Son of Man hath not where to lay his head." But his words have endured for two thousand years, his life an example of wealth of spirit, of courage, of character. Each can achieve the goal that is set for him — if

he is rich in those spiritual qualities which defy the bonds of materialism. In the soul and mind of man lies the richness of his life. Not what he wears or where he lives, but how he lives and what he is.

### **The Desire to Learn**

In the War on Poverty, the word education is mingled with that of material advantage. Formal education is of great value moneywise. It is also the key that will unlock many doors. But education may be acquired without going to college. The dictionary defines education as "the impartation or acquisition of knowledge, skill, or the development of character as by study or discipline. Education is the general and formal word for schooling, especially in an institute of learning. But knowledge, that which is gained and preserved by knowing, en-

lightenment, learning, is the sum of information conserved by civilization. To learn is to gain knowledge or understanding by study."

And you can study by candlelight, as did Lincoln, or by a glowing electric light. You can study and learn on the street, in the field, in the factory, anywhere, if there is desire and will. The world of learning, of knowledge, is open to those who want it.

Poverty in a sense is a physical and material condition to be overcome; but men also must fight the war on poverty of spirit, poverty of ambition and determination and courage, the poverty of our minds. "Knowledge is power." It is time men stopped thinking only in terms of financial and material poverty and began to fight this poverty of the soul. If the latter is conquered, the other will take care of itself. ◆

## IDEAS ON LIBERTY

### ***Pauper's Purpose?***

BECAUSE it is my social function to supply the world as well as I can with a certain thing, therefore I dread the world's being so well supplied with it that I shall be able to get little or nothing for supplying more. It is impossible to exaggerate the importance of this consideration, or the penetrating and intimate nature of its bearing on every aspect of the social question.

PHILIP H. WICKSTEED,  
*The Common Sense of Political Economy*

# A Person of Quality

EVERYONE'S LIFE is spent in the pursuit of self-fulfillment, but not everyone reaches his objective. The man or woman who succeeds is a person who has realized in time that satisfaction does not arise merely from being good at something, but also from being a certain kind of person.

Such a person is not content to dedicate his life to small purposes. He has quality in his ambition. He does not strive to amass stuff to feed his vanity, but does his best to become somebody who is esteemed. He wishes to be, not merely to appear, the best; for this is the mark of quality.

The person of quality realizes that there is something beyond success: it is excellence. One may be successful in the eyes of the world without touching the Golden Fleece of excellence, for excellence

is in the person and is not conferred by the greatness of the office he holds. It is typified in what the goddess Athene said of Ulysses, that in him "deed and word notably marched together to their deliberate end."

It is people of excellence who build greatly and lastingly. Egypt had millions of people living on the world's most fertile soil and Athens had 200,000 living on a rocky plain, yet the Egypt of that day is remembered for Cleopatra while Athens is imperishable in the minds of men.

Our idea of excellence cannot be limited to this, that, or the other area of human activity. Excellence is a thing in itself, embracing many kinds of achievement at many levels. There is excellence in abstract intellectual activity, in art, in music, in managerial functions, in craftsmanship at the workbench, in technical skill, and in human relations.

Only by being a person of the highest quality that it is possible for him to become can a man attain happiness, because happiness lies in the active exercise of his vital powers along the lines of excellence in a life affording scope for their development. He must, of course, be competent, but excellence rises above that.

### **Character**

We mass-produce almost everything in this country, but we cannot mass-produce character, because that is a matter of personal identity. It belongs to those who have found the part they are to play; who are doing the work for which they are best endowed; who are satisfied that they are filling a vital need; who are meeting their obligations and standing up to their tasks.

Such people willingly learn whatever they need to know to perform their role; they discipline their passing impulses so as to keep them from getting in the way of proper performance, and they do their jobs better than is needed just to "get by."

Character is a positive thing. It is not protected innocence, but practiced virtue; it is not fear of vice, but love of excellence.

Character takes no account of what you are thought to be, but what you are. You have your own

laws and court to judge you, and these persuade you to be what you would like to seem. Character is having an inner light and the courage to follow its dictates: as Shakespeare put it:

... to thine own self be true,  
And it must follow, as the night  
the day,  
Thou canst not then be false to  
any man.

People need something to believe in. Scientific discoveries may shake the world, but principles of behavior give it stability.

To have a set of principles is not at all to become a starry-eyed dreamer, but a person who knows simply and convincingly what he is here for. There are certain things one has to believe in, or civilization will die — permanent truths which, though they have their roots in the far past, are important for the present.

Finally, in this array of the components of quality, consider great-mindedness. Here is the ornament of all the other virtues. It makes them better, and it cannot exist without them. A person who has once perceived, however temporarily and however fleetingly, what makes greatness of spirit, cannot be happy if he allows himself to be petty or self-centered, or to fall short of the best that he has in him to be.

**Craftsmanship**

There are sound standards of craftsmanship in every calling — artists have to meet them, as do carpenters, lawyers, stenographers, operators of bulldozers, surgeons, business managers, and stonemasons. Every honest calling, every walk of life, has its own elite, its own aristocracy, based upon excellence of performance.

The person of quality will take delight in craftsmanship, whether he be building a birdhouse or writing a novel or planning a business deal. He is impelled by his principles to do well habitually what it is his job to do. That means patient thoroughness.

This is not, as some avant-garde people would have us believe, antipathetic to expressive individuality. Craftsmanship is a means toward competent expression rather than a brake upon it. It does not imply a sophisticated as opposed to an imaginative approach, nor slick work as opposed to clumsy work. It does mean that here is attention to details, fundamental integrity in the work, and evidence that the workman knew what he was doing and carefully applied his skill to the task.

**Motive and Ambition**

To seek quality in his work and his life a person must have a substantial motive. One pities the

man or woman whose obsessive dream is not improvement toward excellence but escape from actualities and responsibilities. Such people must feel unwanted, unused, and purposeless, and that is one of life's greatest sufferings.

It is the anguish of empty and sterile lives, far more than any economic condition or political injustice, that drives men and women to demonstrate and demand instead of studying and earning.

The man of quality will wish to have his journey through life leave some traces. Captain James Cook, whose voyage of discovery carried him to Canada's West Coast in 1778, said: "I had ambition not only to go farther than any man had ever been before, but as far as it was possible for a man to go." John Milton said he was prompted to "leave something so written to aftertimes as they should not willingly let it die." Charles Darwin wrote in his autobiography that he had made up his mind to make a contribution to his subject.

These men sought and found problems to be solved. They were positive. It isn't enough to be against error and ignorance: that leaves the impression that error and ignorance are the active forces in the world while we are a formless mass opposing them. Instead of denouncing or denying what

others bring forth as the truth, great men offer their own truth.

A motive needs to be a sincere, deeply felt, urge to find meaning in life — relevance, significance, and usefulness. Without such a goal, life becomes drab and humdrum. The man of quality lifts his head above the crowd to see a horizon fitting his abilities. He teaches his imagination to play with future possibilities, and bends his back to the immediate task that will contribute toward their coming true. There is nothing paltry about the man who is struggling, not to be great or to hobnob with the great, but to be greater than he is.

Some people are misled from their search for personal quality by skepticism. They encourage themselves to say: "Why should I do any more work than is necessary to get a passing mark or the going rate of pay?" People are not roused to seek excellence by ease or pleasure or any other sugar-plum. Perhaps there are some who are content to try for nothing more than being units in an assembly line, but even they must have moments of uneasiness in which they regret the opportunities they have spurned to become something better.

To push up from colorless mediocrity toward superiority is the way of the person of quality. All

satisfying human life proceeds along this line of action — from below up, from minus to plus. To be successfully what we are, and to become what we are capable of becoming, is true ambition.

In choosing an aim, we should make sure that the ultimate value of it will offset the inevitable discomfort and trouble that go along with accomplishment of anything worth while. Success has terms which must be met. It demands that we sacrifice secondary things, however delightful they may appear, and that we are prepared to get some splinters in our hands while climbing the ladder.

#### **Sense of Values**

This, of course, requires that we develop a sense of the values of things. Every thoughtful person who has reached the age of twenty or twenty-five will realize that his mind has produced for him a certain set of views as to the conditions of life and the purpose of his existence. These should be reviewed from time to time, and revised upward in the light of experience.

A sense of values is a personal thing, not to be measured by a yardstick common to all humanity. In applying it to our special cases we learn to tell truth from falsehood, fact from opinion, the real from the phony, and the beauti-

ful from the tawdry. We develop consciousness, enabling us to discriminate the quality of things. We learn that everything is worth what its purchaser will pay for it, and we ask before making a choice: "What is the price?"

This is a question of deep seriousness, and sometimes it demands courage in the asking and in the answering. Finding the point at which a value begins to totter is an authoritative guide as to how high you really rank it.

Look for the major characteristics, without being misled by the unlimited number of peripheral and secondary features. If you are weighing the value to you of a color television set against that of a chrome-encrusted car, that is simple and there are few factors; but if you are measuring the value of an extended education against the immediate attractiveness of a job, you can reach a reasonable decision only after considering the conditions under which you wish to live far in the future. What is the paramount thing? To elevate your thinking above the immediate and consider what is best in the long run.

In making choices one needs to have a concern for excellence and a devotion to standards. There is real pleasure in setting standards and then living up to them. Even if there were no Grand Assize be-

fore which at the end we shall be summoned to tell what we have done with our talents, there is always the looking glass in which we are our own judges.

Most people would benefit — although it seems to be an old-fashioned idea — by having a little book in which they kept notes of their aspirations. Marcus Aurelius Antoninus, Roman emperor for twenty years, kept one. After attaining almost the highest form of human existence, the union of statesman and philosopher in one man, he left to us a book of meditations. It is a collection of maxims and exhortations written when he felt especially alone and needed bracing up to keep him on the road he had chosen.

Such a practice will help us to pass safely through the processes of surmise, guess, dim instincts, embryo conceptions, partial illumination, and hypothesis, into certainty and conviction.

### **Things Needed**

Among the things needed by the person in search of excellence are these: a wide view, curiosity, courage, self-discipline, enthusiasm, and energy.

Having a wide view does not only include seeing things near and far in proper perspective, though that is very important. It requires broad training in funda-

mental principles. Specialization is vitally important in the modern world, but it is unfortunately true that for many individuals specialization is a dead end rather than an avenue to deeper and broader understanding. The person seeking excellence will realize that this need not be so, and he will respond to the challenge to prevent its happening to him.

The key positions in all walks of life will go to those who are educated broadly, in a balanced way. Only they have the depth of judgment, the sense of proportion, and the large-minded comprehension to handle big affairs.

One needs the curiosity to look below the surface of things. It is curiosity that has led to every scientific advance, and through it man has risen to the high level of philosophy and the meaning of things.

Curiosity is followed by research. You get hold of an idea and nurse it to life with persistent patience. You separate your key thoughts from a hundred and one irrelevancies. You sift through a haystack and find the pin, but you do not stop there. You look closely enough to see the Lord's Prayer inscribed on the head of it. That little extra piece of applied effort counts mightily in turning curiosity into something that is rewarding.

This process gives you faith in the validity of your judgment, which is the backbone of courage. What do Commencement speakers mean when they repeat, year after year: "Education is a lifelong process"? Every youth already knows, as he walks down the platform steps with his diploma in hand, that he must keep on learning.

What the speakers mean is something beyond keeping up with the techniques of one's profession, business, or craft. They have in mind the attributes needed to survive errors, to keep marching on a road that seems to be without end, to rise above disappointment and distress, to lie awake at night staring at broken hopes and frustrated plans and at a future that seems wholly dark — and to get up in the morning and go about their business with determination. All of these are part of education.

To pursue his course with success a man needs a strong sense of personal stability, and part of the process of maturing into excellence is that of substituting inner discipline for outer. Tolstoy wrote in one of his letters: "There never has been, and cannot be, a good life without self-control."

Nothing will protect us from external pressures and compulsions so much as the control of ourselves, based upon ideals form-

ulated by ourselves. Much is said in praise of endurance, and indeed much should be said, because being able to bear up manfully under stress and hardship is a great accomplishment. But self-control is different: it is not continued resistance but actual mastery. It enables us to say "yes" and "no" to other men, not prompted by blind obedience to a code, but with assurance derived from a conscious evaluation of relevant alternatives.

Only an imaginary line separates those who long for excellence and those who attain it, and enthusiasm is the quality needed to carry one over the border. This means having interest, zeal, and a strong feeling of the desirability of success. Enthusiasm provides the perseverance that overcomes impediments both real and imaginary.

One obstacle in the way of progress is resistance to change. We must develop a sense of the pulse-beat of this changing life. We need to observe what's going on around us and filter it through a layer of common sense so as to decide in what direction and to what extent we have to alter course.

At the beginning of the century the only people needing advanced education were those who were going for medicine, the ministry,

law, and the scholarly domain. Today, everyone needs all the relevant education he can absorb so as to be able to cope with the complexities of life and of his job.

Capability must be changed by application and work into indubitable performance. As one of the earliest Greek poets said: "Before the gates of excellence the high gods have placed sweat." All executive work, all research, all intelligent work of every sort, is based on directed diligence, on lively movements, on getting one idea on the rails and springing another.

### **Sources of Inspiration**

There are several sources from which the person seeking quality in life draws inspiration: school, home, the church, and experience.

Intelligence needs information on which to work and the tools with which to work. Everywhere in the world there is emphasis on education. The underdeveloped countries need elementary education urgently, and in our own country every step forward in industry and science raises the required standard of higher education.

Some wake up to the possibilities and needs in their final high school year, or when they come up against the increased demands of freshman year in university:

they are unfortunate people upon whom the realization does not dawn until they have put aside their graduation gowns and rubbed shoulders with the workaday world.

Every child's home should provide a stimulating and instructive environment. Young people need to be exposed there to a context of values in which high performance is encouraged. When a prominent businessman was complimented by a fellow-commuter on the scholarships won by his two sons, and was asked for the secret, he replied: "We just show them that we expect it of them."

The child has an advantage when his parents qualify themselves and exert themselves to make him familiar with books, ideas, and conversations — these are the ways and means of intellectual life — so that he feels at home in the House of Intellect.

To succeed, parents need to pull themselves into the mainstream of current knowledge. They may do so by reading, by attending lectures, by taking correspondence courses, or by forming community or neighborhood study groups. Only so can they fulfill adequately their children's need for an awareness of intellectual values and educational goals.

Parents are assisted by the churches. All of the great religions

have enunciated principles of conduct, and have established congregations in which these principles are taught.

Practical experience is more harsh than school and home. It is ruthless, but effective. We need not merely to learn things by chance or under compulsion but to develop the ability to extract the broadest meaning from our observation of the how and the why of things. One of the most valuable human rights available to the person seeking excellence is the right to correct errors revealed by experience.

### **Canada's Obligation**

This is a good time to scrutinize the virtues taken for granted in our society. Do they need to be restated, revised, and encouraged?

William James told students of Stanford University in 1906: "The world . . . is only beginning to see that the wealth of a nation consists more than in anything else in the number of superior men that it harbors."

The obligation upon Canada is to honor the qualities in men and women which are most necessary to the continued vitality of our country. A democratic, equalitarian society does not find it easy to applaud the superior individual. It fears that by praising one it belittles another, and that some-

how seems to be undemocratic.

Every person of quality gives something of advantage to his country, but before the country can appreciate these gifts, it must learn this: a society only produces great men in those fields in which it understands greatness. Quality and excellence must be inspired by people who expect high performance of themselves as well as others.

There are five million young people in Canada's schools and universities. Among them are several future prime ministers, a governor general or two, many provincial premiers, hundreds of members of parliament—all the men and women who will be governing Canada far into the twenty-first century. There are also the industrialists, financiers, and business people who will manage the country's business. There are the professional people who will look after health, education, law, and religion.

### **The Best Thing**

The best thing to give an undergraduate at this time is encouragement toward development of quality and inspiration in his search for it. The best wish we can give the graduate is capacity for continued growth.

Inability to appreciate the need for personal devotion to the idea

of excellence, either individually or through those we might stimulate toward it, may bring on that saddest state of intelligent beings: regret for what might have been, when it is too late to take another path. The question is relevant to every person: "What is my contribution toward quality going to be?"

There is no need to become cast down if we do not at once attain the super-best. It is a good thing to strive for excellence, but we must realize that the best possible is not too bad.

Most of life is lived by batting averages, not by perfect scores. The research scientist does not expect that every hypothesis he sets up will prove out. The financier does not expect that every investment will return a maximum dividend. People live by making plans and by putting forth efforts that are, so far as they can see, in line with the results they want. Then they revise their plans and improve their performance as experience dictates. We need fear only one failure in life: not to be true to the best quality we know.

There is a certain satisfaction in trying, even if we do not succeed perfectly. As Robert Browning put it in "Rabbi Ben Ezra":

What I aspired to be  
And was not, comforts me. ◆



EDWARD Y. BREESE

THOSE of us accustomed to boasting, "It's a free country!" have some disturbing facts to face.

The free country we've known was founded on recognition of the right of the individual to "life, liberty, and the pursuit" (not guarantee) "of happiness." We were taught to believe in the right of every man to the product of the labor of his hands and the creativity of his mind. We respected private property and the owner's freedom of use, subject to minimum community safeguards. We considered government to be the "servant of the people," with limited powers as delegated by individuals. Such, I believe, was the typical view of

thoughtful Americans when I was a boy half a century ago.

But I now find little trace of these concepts in the day-to-day practices of the community. To a frightening extent, the principles upon which America was founded are giving way to the opposite principles of socialist statism. Instead of servant, government is increasingly welcomed as master. In theory, of course, individuals still control government by means of their elected representatives. But the representatives more and more take the fact of their election as a mandate to rule and govern the people.

The picture thus printed is dark. But is it accurate? For perhaps a large majority of my fellow citizens, it is. Why, then, is my own thinking and way of life so unchanged except in minor and

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nonessential details? Why have I not become socialized along with the state, the social mores, and the majority of my fellows?

There seems to be only one logical answer. Somehow, I have managed to continue living as a free man because there is something within me which demands it. The free life and free thought are so strong that I cannot and will not compromise either.

What does that mean? What entitles me to make such a statement? Let me see if I can answer. My answers may not be yours, and they may not serve you. But they are my honest answers. They have kept me free as an individual. Perhaps they have helped some who have known me.

First of all, I have kept the habit of free thought and critical analysis. Whatever I read or hear I submit to the test of certain questions. What motives are behind the words? What are they intended to mean? What is their real meaning for me? I act upon the answers to these questions.

I try to place myself in positions where my personal freedom is at a maximum. I have always, by instinct, I suppose, chosen those jobs which give me a maximum of personal freedom. This, rather than financial return or prestige, has been the determining

factor for me. And I have not starved as yet, or come close to it.

I act upon the assumption that I am responsible for my own care and welfare. I think my fellows do not owe me a living — nor do I ask or expect them to provide for me. I try to make my own opportunities.

I do my best to stay out of debt. I don't want anyone to hold a mortgage on me or on my actions.

I believe that private enterprise can better solve any problem than can a bureaucracy, even when the problem is a public and collective one. I see many examples where this is so, but will cite only one: the massive achievements of Alcoholics Anonymous in contrast to governmental efforts at Prohibition.

I waste no time or effort in futile "revolts" against those things which I cannot control. I step free of these things as much as possible. As an individual, I cannot destroy the system of government regulation of business; but I can try to avoid positions where these controls affect me. If I do not ask or accept favors of government, I need not be bound by the conditions under which these are granted.

I support by voice and vote those elements in government with

which I most nearly agree. I write and speak in support of the principles of freedom. I hope to be heard, but whether or not I am heard is less important to me than the fact that I speak.

I do not resign from society. In World War II, I served as a sergeant of the A.A.F. I would never burn a draft card. I try to live as a free man within the society of which I am a part. I believe that, in the long run, the power of example will count for something.

I want to be ready when the failure of socialism is generally recognized. When that time comes, free men will be needed. But it is not vital to me that I live to

see that day. It will come, because it must.

What is important is that I continue to think as a free man and do the best I can to live by those principles in which I believe. For me, of course, there is really no other choice. I must be that which I am.

In a time of growing statism, I cannot force a return to limited government. But I *can* limit the power of government to control and affect me. I can refuse to compromise my principles in exchange for a handout. I can practice my beliefs in my daily living and be happy in so doing. I can think free, walk free, and be free.



#### IDEAS ON LIBERTY

#### *First Comes Understanding*

CORRECT ACTION automatically follows understanding — the only route to correct action. Nothing else will serve. If this process seems hopelessly slow, there should be the sustaining faith that liberty is in harmony with truth, and with the intended design of the human social order. Truth is immortal, despite the defeats that it seems to suffer along the way. Truth has a power that is no respecter of persons, nor of the numbers of persons who may at any time be in darkness about truth. Truth has a power that cannot be touched by physical force. It is impossible to shoot a truth.

The lover of liberty will find ways to be free.

# POWER

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## 3. SOCIAL EFFECTS

SUCH CONCEPTS as *humanity, mankind, society, or nation* are all modern in their origin. Ancient and medieval men tended to view man as an individual unit. They usually thought of larger collections of men as being merely larger numbers of single individuals. Thus, such words as *mankind* or *society* did not, until modern times, convey a difference in meaning, but instead implied only a difference in quantity. It is instructive that our modern patterns of thought now give such words as *society* or *humanity* or *nation* a new meaning, *no longer connected directly with the concept of the individual.*

What modern society seems to have forgotten, in the words of Frank Chodorov, is that, "Society

are people." Within the traditional Western framework of *Natural Law*, our forebears have generally recognized a realm of spiritual value, beyond the laws of natural science and beyond the trappings of society. It is this recognition of the spiritual dignity of the individual person which gave birth to the concept that each individual had certain rights which no other man or collection of men would be justified in violating.

Modern society, acting in the name of "the people," has been increasingly willing to override such guarantees of individual freedom. In the process, absolute power has steadily replaced absolute rights:

Having agreed that the majority should prescribe rules which we will

obey in pursuit of our individual aims, we find ourselves more and more subjected to the orders and the arbitrary will of its agents. Significantly enough, we find not only that most of the supporters of unlimited democracy soon become defenders of arbitrariness and of the view that we should trust experts to decide what is good for the community, but that the most enthusiastic supporters of such unlimited powers of the majority are often those very administrators who know best that, once such powers are assumed, it will be they and not the majority who will in fact exercise them.<sup>1</sup>

Just as it is true that the fate of a book is dependent upon the reader, it is equally and painfully correct that the meaning of a political idea stems from the group which appropriates it. The meaning given to "democracy" and the application of the tremendous power unleashed by the new definition of "popular rule" have paved the way toward an exercise of power never dreamt of before modern times. Yet, 50 to 75 years ago, those most enthusiastic concerning modern democracy believed that all dangers from power were past, since the power of the future, represented by the concentrated power of the modern state, was to be used only

in the advancement of the material interest of the common man.

### **State and Society**

Some astute observers, such men as Nietzsche and Burckhardt, were warning as long ago as the mid-nineteenth century of the dangers stemming from the new mass-man and the new mass-state. Social critics of our own time, of the stature of Wilhelm Roepke and Ortega y Gasset, have pointed to more and more signs of the dangers inherent in the centralized modern state. Meanwhile, the consolidation of power in the new dispensation has steadily advanced:

The present disposition is to liquidate any distinction between State and Society, conceptually or institutionally. The State *is* Society; the social order is indeed an appendage of the political establishment, depending on it for sustenance, health, education, communications, and all things coming under the head of "the pursuit of happiness." In theory, taking college textbooks on economics and political science for authority, the integration is about as complete as words can make it. In the operation of human affairs, despite the fact that lip service is rendered the concept of inherent personal rights, the tendency to call upon the State for the solution of all the problems of life shows how far we have abandoned the doctrine of

<sup>1</sup> F. A. Hayek, *The Constitution of Liberty* (Chicago; University of Chicago Press, 1960), p. 116.

**The tendency to call upon the State for the solutions of all the problems of life shows how far we have abandoned the doctrine of rights, with its correlative of self-reliance.**

**FRANK CHODOROV**

rights, with its correlative of self-reliance, and have accepted the State as the reality of Society.<sup>2</sup>

Such a system gives far too little to man's freedom or personality. The state swallows the individual. Even if such centralization were efficient in the satisfaction of human wants, which it is not, the means used to achieve the end would still be unacceptable simply because they are incompatible with human freedom.

Even more dangerous, perhaps, is the risk that the very concept of freedom itself can become so misused and distorted within such a society that no individual dare lay claim to any rights or dignity having a higher source than the society in which he lives. At that moment, the guarantees developed by Western civilization to protect the individual from the arbitrary exercise of power have in effect all been swept away, no matter what label that society might give itself.

Once such checks upon the exercise of power have been removed, all the internal vitality and freedom within such a society are open to destruction in the name of "order." Soon the preservation of "order" or the pursuit of the "greatest social good" is identified with whatever action the wielder of centralized power deems suitable. Resistance against the exercise of such power comes to be viewed by society not as an expression of human individuality and free choice, but as an assault upon the public good, a crime of the selfish individual against the selfless community.

#### ***The Authoritarian Personality***

A new type of personality soon comes to the forefront in such a society. Many who would tend to go largely unnoticed in a freely competing society soon begin to exercise centralized power to invade the market place and the private sector in an attempt to manipulate individual decisions to achieve "social goals." In a society in which officials wield such tre-

<sup>2</sup> Frank Chodorov, *The Rise and Fall of Society* (New York: Devin-Adair, 1959), pp. xix - xx.

mendous power, they come to occupy a larger and larger place in the public eye and in their own self-esteem.

The exercise of power thus becomes a gratifying and expansive experience. The wielder invariably flatters himself that he is undertaking a tremendous burden "for the good of" those over whom he exercises power. The legend of the Grand Inquisitor, who felt he had taken upon himself "the curse of the knowledge of good and evil" to achieve the happiness of "thousands of millions of happy babes" has been re-enacted time and again throughout human history, with ever-increasing frequency in our age. Such wielders of power soon lose themselves in their dedication to "service," forgetting their underlying motivation of self-aggrandizement. In all probability, Napoleon was sincere in his famous remark to Caulaincourt, "People are wrong in thinking me ambitious — I am touched by the misfortunes of peoples; I want them to be happy and, if I live ten years, the French will be happy."

Further, the manner in which the modern state opens the exercise of power to men of ambition from various walks of life tends to make the exercise of that power and, indeed, its further extension, all the more acceptable to

the mass of people. In the older era of kings and aristocrats, few men had the slightest hope of achieving a share of power. But in a modern society in which any man is a potential wielder of power, many who should and perhaps do know better will still allow the exercise and extension of power on the assumption that they themselves are capable of wielding such devastating and corrupting force. It is from this complicity in the crime of power that modern democracy especially suffers, since so many among us believe that to achieve the good society we need only "throw the rascals out" and replace them with "good men," men who would wield power properly.

### ***The Intellectual***

One of the groups within society especially at fault in the encouragement of the accumulation and exercise of power has been the "intellectual." Seldom has the case been stated more clearly than by the distinguished journalist, George S. Schuyler:

It unfortunately has become fashionable for the artist in modern society to quibble over this issue of freedom. He says on the one hand that he prefers a society which emphasizes physical security for all (which necessitates in technological civilization a degree of regimenta-

tion which endangers freedom). At the same time he properly wants a society where he is free to write, paint, and compose as he wills. He fails to recognize that the artist is so influenced by the society of which he is part, that he cannot remain free when all else is controlled.

The error of the intellectuals of the West for the past two centuries has been advocating a society actually slavish but paraded as freedom. This means, then, that along with free art (and indeed the very basis for it) must be free political institutions, free economic enterprises, and a society free of onerous restrictions.

The tragedy of so many intellectuals in the contemporary world is that while opposing extreme forms of totalitarianism, they are themselves half-totalitarian; that is to say, they express a desire for a society which is half-controlled, half-regimented, half-planned, part capitalist, and part socialist. This strange hybrid they will find (indeed, have found) to be a Frankenstein monster which, ironically, they have a great responsibility for creating.<sup>3</sup>

### **Unchecked Power**

However the centralization of power may have come about, its existence and its exercise are painful realities in our society. The

unchecked power of labor unions, backed by coercive political legislation, has been used against private property, the general public, and, above all, the union members themselves. The ill-concealed pressures exerted by centralized power through the large and growing numbers of regulatory agencies and "administrative" legal decisions have left private property and the businessman literally at the mercy of forces beyond either his comprehension or his control. The levels of taxation within our society closely circumscribe the range of choice for the individual citizen in the disposal and use of his property. The end result of the use of power is always the same: curtailment of individual and social freedom of choice.

Examples of unchecked power infringing upon the private sector and the individual within our own society could be multiplied almost indefinitely. How does it happen that such extensions of power and curtailments of liberty have taken place with little or no public outcry? The answer is a painful one for the friends of man: most people are unaware of liberty and its benefits. Indeed, if the loss of freedom and the expansion of power is sufficiently gradual, it seems that the citizens will not rise in protest. The conversion of the private sector into the public sector,

<sup>3</sup> George S. Schuyler, *Black and Conservative* (New Rochelle: Arlington House, 1966), pp. 319-320.

*The artist is so influenced by the society of which he is a part,  
that he cannot remain free when all else is controlled.*

GEORGE S. SCHUYLER

of the individual's power to make decisions into the state's power to coerce decisions, has proceeded more gradually here than in the French Revolution, the Russian Revolution, or the Fascist experiments of Italy and Germany. Yet, such accumulation of power and attrition of liberty, however unspectacular its progress, has been under way in this nation.

The process whereby power has come to dominate our society was outlined well over 100 years ago in Alexis de Tocqueville's oft-quoted warning:

Above this race of men stands an immense and tutelary power, which takes upon itself alone to secure their gratifications and to watch over their fate. That power is absolute, minute, regular, provident, and mild. It would be like the authority of a parent if, like that authority, its object was to prepare men for manhood; but it seeks, on the contrary, to keep them in perpetual childhood: it is well content that the people should rejoice, provided they think of nothing but rejoicing. For their happiness such a government will-ingly labors, but it chooses to be the

sole agent and the only arbiter of that happiness; it provides for their security, foresees and supplies their necessities, facilitates their pleasures, manages their principal concerns, directs their industry, regulates the descent of property, and subdivides their inheritances: what remains, but to spare them all the care of thinking and all the trouble of living?

Thus, it every day renders the exercise of the free agency of man less useful and less frequent; it circumscribes the will within a narrower range and gradually robs a man of all the uses of himself. The principle of equality has prepared men for these things; it has predisposed men to endure them and often to look on them as benefits.

After having thus successfully taken each member of the community in its powerful grasp and fashioned him at will, the supreme power then extends its arm over the whole community. It covers the surface of society with a network of small complicated rules, minute and uniform, through which the most original minds and most energetic characters cannot penetrate, to rise above the crowd. The will of man is not shattered, but softened, bent, and

guided; men are seldom forced by it to act, but they are constantly restrained from acting. Such a power does not destroy, but it prevents existence; it does not tyrannize, but it compresses, enervates, extinguishes, and stupefies a people, till each nation is reduced to nothing better than a flock of timid and industrious animals, of which the government is the shepherd.

I have always thought that servitude of the regular, quiet, and gentle kind which I have just described might be combined more easily than is commonly believed with some of the outward forms of freedom, and that it might even establish itself under the wing of the sovereignty of the people.<sup>4</sup>

#### **Acceptable Power?**

As the state thus accumulates all power unto itself and increasingly absorbs the private and the individual sector, a tendency to acquiesce in the situation seems to develop among the people. We can see this process at work in our own society in the tendency of each new generation to accept an ever-widening area of governmental involvement in the lives of its citizens. Today's young people are willing to accept displays of governmental power which were anathema to the young people of

thirty years ago and were absolutely unknown to the young people of sixty years ago. As the state accumulates this power, it tends to rationalize its position, using its newly acquired controls as a tool by which the "social benefits" of the new order are advertised.

There are occasional outbursts of protest as this process develops. Even many of the advocates of centralized authority are currently alarmed about the dangers implicit in the new Federal Data Center. They recognize that a Federal government with a computerized source of complete information concerning every citizen is indeed a potentially powerful agency, but they are really only complaining about an increased governmental efficiency. Whether or not the material was gathered in a single place, and whether or not it was computerized, the fact is that the central government has long had such information available to it. In effect, many advocates of enlarged governmental powers are now complaining because the government appears closer to the exercise of those powers.

#### **The Growth of Power**

What sort of a centralized apparatus has grown up for the exercise of this new power? In the

<sup>4</sup> Alexis de Tocqueville, *Democracy in America* (New York: Alfred Knopf, Inc., Vintage Books, 1958), Vol. II, pp. 336-337.

89th Congress alone the extension of "domestic aid" programs was fantastic: James Reston has reported "twenty-one new health programs, seventeen new educational programs, fifteen new economic development programs, twelve new programs for the cities, seventeen new resource development programs, and four new manpower training programs" (*New York Times*, Nov. 22, 1966). In this single area of "domestic aid" programs, these new additions contribute to some startling totals: some 170 Federal aid programs currently enacted into law, financed by over 400 separate appropriations within the Federal budget, administered by 21 separate Federal departments and agencies, assisted by over 150 Washington bureaus and over 400 regional offices. Power? Yes, indeed! Multiply these statistics by the other areas of government intervention in taxation, in land ownership, and in its far-flung regulatory activity, controlling our business, communications, food supply, money supply, transportation, housing, and nearly every other aspect of our lives, then add the additional forays proposed into our educational system and virtually every other area of the private sector, and you have a formula for total political control.

The result? As Samuel Lubell

has phrased it in *The Future of American Politics*:

The expansion of government to its present scale has politicalized virtually all economic life. The wages being paid most workers today are political wages, reflecting political pressures rather than anything that might be considered the normal workings of supply and demand. The prices farmers receive are political prices. The profits business is earning are political profits. The savings people hold have become political savings, since their real value is subject to abrupt depreciation by political decisions.

What are the prospects for freedom within such a totally politicalized society? The unlimited power of coercion present in a society so tightly tied in economic bonds has been plainly stated by one of the modern theorists of the total state, Leon Trotsky: "In a country where the sole employer is the State, opposition means death by slow starvation. The old principle, who does not work shall not eat, has been replaced by a new one: who does not obey shall not eat."

The threat to liberty produced by Tocqueville's predicted "enervation" and Belloc's "Servile State," because of the insidious quality of such gradualist, ameliorative, "humanitarian" regimes, may be most dangerous of all.

**Power becomes absolute when it becomes the agency through which society chooses to solve its problems. There are many signs that such a choice has been made in our own society.**

Liberty is increasingly weighed in the balance against equality and is found wanting by those who offer themselves as "friends of the people." One of these advocates of the new order, Gunnar Myrdal, has written in *An American Dilemma*:

In society liberty for one may mean the suppression of liberty for others . . . In America . . . liberty often provided an opportunity for the stronger to rob the weaker. Against this, the equalitarianism in the (American) Creed has been persistently revolting. The struggle is far from ended. The reason why American liberty was not more dangerous to equality [in the early days of the nation] was, of course, the open frontier and the free land. When opportunity became bounded in the last generation, the inherent conflict between equality and liberty flared up. Equality is slowly winning. . . .

### **Absolute Power**

Power becomes absolute when it becomes the agency through which society chooses to solve its problems. There are many signs

that such a choice has been made in our own society. Not only has the accumulation of power proceeded dangerously far in our governmental structure, but, perhaps far more dangerous, the rationale justifying that accumulation of power has made great progress among the individuals composing our society.

What is in store for a society in which power has become so centralized?

The social hierarchy is in ruins; the individual members are like peas shelled from their pods and form a numerical whole composed of equal elements. The state is the beginning and end of organization; it must apply itself to the task with the highest degree of authority and attention to detail. But is that to say that there are no longer any privileged persons? There are indeed; but as regards the state they are no longer privileged as men, preceding its authority. They hold their privileges in and from the state.<sup>5</sup>

Such a centralized authority soon comes to take upon itself

<sup>5</sup> Bertrand de Jouvenel, *On Power* (New York: Viking Press, 1949), p. 175.

the power of totally reordering society. The concept of law is stripped of a higher meaning and utilized as an enabling act for the achievement of that total reordering of society. To do all, power must be master of all.

Soon such a state recognizes no authority beyond itself. All functions, public and private, all actions, no matter how individual, are subject to mass control as a part of the exercise of total power.

Such is totalitarianism in its essence. It is not merely an oppressive regime; indeed, in principle, it does not have to be particularly oppressive at all, at least not to large sections of the population. What is involved is something much more fundamental. The old-fashioned despot demanded obedience, taxes, and manpower for his armies. The totalitarian regime wants much more: "It's your souls they want," as someone once put it, referring to the Nazis. It's total possession of the whole man they want; and they will brook no rivals in engaging man's loyalties, hopes, and affections.<sup>6</sup>

### **The New "Individual"**

The living man, the individual with a source of dignity which earlier societies had viewed as transcending the state, is scheduled to have his creative capaci-

ties, his dignity, and his personality sacrificed to the new abstraction of collective power. Bureaucracy and the statistical evaluation of mass-man become the new means of social sacrifice, making burning at the stake appear inefficient by comparison.

What Dostoevsky's Grand Inquisitor achieved through authority and mystery, the scientists of Huxley's *Brave New World* achieved through scientific control of life forms. More recently, in Skinner's *Walden Two*, behavioral psychology updates the latest vision of the controlled society, suggesting that, with sufficient conditioning, the individual will be so free of frustration or the necessity of decision as to be finally free of the responsibilities of freedom. The new society which has arisen in conjunction with the modern centralization of power has brought with it the tools of mass-conditioning necessary to bring about such a perverted view of "freedom."

### **Does Power Truly Corrupt?**

Even while such concentrations of power and such a conditioning process rob the individual citizen of his liberty, thus destroying the individual's creative capacity and in effect penalizing both the individual and his society, the greatest corruptions of all are

<sup>6</sup> Will Herberg, "Christian Faith and Totalitarian Rule," *Modern Age*, Winter, 1966-67, p. 69.

likely to occur in the very institutions and men called upon to exercise this vast new power. The subjection of other men's wills to a man's purposes, no matter how well intended, is even more dangerous to the power wielder than to those over whom the power is exercised. Coercion begets coercion, producing a greater and greater necessity for the application of centralized power in society since it simultaneously disrupts the private sector and justifies its own extension to solve the problems stemming from those disruptions. A man cannot stoop to using coercion against another man without allowing the corrupting influences of that power to work its corruption upon him. However *politically* necessary such interventions into the private sector of society may appear to the ardent collectivist, the potential wielder of such power must first of all make an *ethical* choice to violate the decision-making dignity of another individual, thus arrogating power to himself over the lives of others in an ethical area where individual conscience should be supreme.

A power-oriented society tends to become more and more monolithic, producing an enmassment which removes all decision-making further from the individual citizen. Such a society produces a

citizenry which tends to regard the technical and social achievements which it sees around it as something stemming from the exercise of centralized power, rather than from the personal efforts of highly-endowed individuals. At that point, the mass-man comes to identify himself with the state and becomes as corrupted by power as those who themselves exercise that power. In such a society, so completely divorced from the creative capacity of the individual, the way is paved for a social decline of great magnitude.

Then everything includes itself in power,  
 Power into will, will into appetite;  
 And appetite, an universal wolf,  
 So doubly seconded with will and power,  
 Must make perforce a universal prey,  
 And last eat up himself.<sup>7</sup>

#### ***The Destruction of Society***

Once Natural Law and a decentralized society are no longer accepted as the bulwarks of the private sector, soon power, appetite, and will begin to find every area of society a proper sphere for a further extension of coercive authority. Intervention is piled upon intervention and power both encourages and feeds upon the strife

<sup>7</sup> William Shakespeare, *Troilus and Cressida*, Act I, Scene 3.

between factions of society as they struggle to prosper through the intervention of power in favor of their particular group. As the exercise of coercive power grows steadily greater and steadily more damaging to society, the strife between factions to benefit from the exercise of that power becomes equally destructive to the fabric of a true society. Thus, the exercise of power is in the last analysis antisocial, destroying the society in which it occurs.

The individual citizen within such a society, already stripped of any higher dignity which does not emanate from the state, is offered an illusory social welfare, the promise of better things to come, for his acquiescence in the new system. All man's ills are now to be solved by the passage of the proper law, by the proper use of coercive power.

### ***Irresponsibility***

Such a society, abandoning individual dignity and responsibility for self in return for the promises of the new collective ethic, tends to breed a new form of social being. If the individual is not responsible for self, then a society formed of such individuals is also not responsible. The way has been paved for a new ethic of total irresponsibility on the part of individual members of that society.

Surely we witness the results of such thinking in our own time. Every conceivable crime and failure in our society is attributed not to the individual but to some failure or another of society to care properly for the individual.

With Dr. Johnson, we might admit, "We cannot pry into the hearts of men, but their actions are open to observation." Surely the observation of an increasing number of the actions of men in our time would indicate some failing in their innermost being. The statistics are distressing: Crimes against property have increased (relative to population) by over 300 per cent in the past twenty years. Crimes against persons have doubled in the same period of time. Even these alarming statistics do not reflect the wide acceptance of public immorality in areas not categorized as crime. The subsidized illegitimacy of the Aid to Dependent Children program or the wide acceptance of cheating on so many college campuses are only two of many such symptoms of moral decline.

The steadily growing trend toward moral failure seems to advance at the same rate as the older ideal of self-responsibility continues to decline:

The American has never been a perfect instrument, but at one time he had a reputation for gallantry,

It is as though the quality of responsibility had atrophied.

JOHN STEINBECK

which, to my mind, is a sweet and priceless quality. It must still exist, but it is blotted out by the dustcloud of self-pity. The last clear statement of gallantry in my experience I heard in a recidivist state prison, a place for two-time losers, all lifers. In the yard an old and hopeless convict spoke as follows: "The kids come up here and they bawl how they wasn't guilty or how they was framed or how it was their mother's fault or their father was a drunk. Us old boys try to tell them, Kid, for Christ's sake, do your own time. Let us do ours." In the present climate of whining self-pity, of practiced sickness, of professional goldbricking, of screaming charges about whose fault it is, one hears of very few who do their own time, who take their own rap and don't spread it around. It is as though the quality of responsibility had atrophied.<sup>8</sup>

Something of such disastrous social results was predicted over 100 years ago by the British historian, Lord Macauley, when he warned that the twentieth century would be as disastrous for America as the fifth century had been for the Roman Empire, with the difference that the Huns and Van-

dals who had destroyed the Roman Empire had come from outside the system, while America's Huns and Vandals would be engendered within the American system by our own institutions.

### Generation of Zeros?

As self-responsibility within our society has atrophied, what sort of a nation have we become? One social critic, Philip Wylie, has developed the idea that we are becoming a nation of nonpersons, engaging in "nothing education," "nothing readership," "nothing citizenship," "nothing art," and "nothing music." He describes our society as a "generation of zeros," produced by an educational system which avoids the creation of any "trauma" for the individual student, from which all competition, all discipline, and all possibility of low grades have been removed from the student's path. He cites television as the creator of a generation of nothing readers. He cites the current student population who all too often are for nothing and who often assume no role or responsibility in their society except that of criticism and nihilism as nothing citizens

<sup>8</sup> John Steinbeck, "America, Where Are You?" *Chicago Tribune*, Nov. 20, 1966.

and eventually nothing persons. He finds the total absence of creativity in much of modern art as a demonstration of nothing art and levels much the same charge against modern music. He cites the noninvolvement of the members of our society, people who are unwilling in case after case to offer aid or even call the police in times of crisis, as for example in the Kew Gardens, N. Y. murder of a woman, witnessed by some thirty-eight people who did not want to become "involved."<sup>9</sup>

Thus the history of unrestricted power is again borne out. When the centralized power of the state reaches a certain point of concentration, the society it governs will tend to disintegrate. Individual action, the spark of creativity, and human charity, all decline as the exercise of power becomes the dominant solution to all problems. Voluntary human action is increasingly destroyed in preference for coerced human action.

Yes, power does corrupt, a fact amply borne out by the Bobby Bakers who increasingly inhabit the seats of power. Yet such men are nothing more or less than a mirror held up to the citizenry of America, a mirror all too graphically depicting the moral decay of our society. Professor Ortega y Gasset has predicted the final result of such decay:

The result of this tendency will be fatal. Spontaneous social action will be broken up over and over again by State intervention; no new seed will be able to fructify. Society will have to live *for* the State, man *for* the governmental machine. And as, after all, it is only a machine, whose existence and maintenance depend on the vital supports around it, the State, after sucking out the very marrow of society, will be left bloodless, a skeleton, dead with that rusty death of machinery, more gruesome than the death of a living organism. Such was the lamentable fate of ancient civilization.<sup>10</sup> ◆

<sup>9</sup> Philip Wylie, "Generation of Zeros," *This Week Magazine*, Feb. 5, 1967.

<sup>10</sup> Albert Jay Nock, *Our Enemy, the State* (Caldwell, Idaho: Caxton Publishers, 1946), p. 151.

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*The next article, concluding this series, will concern the prospects for dealing with the threat of power.*

# Auto-Safety Standards

MILTON FRIEDMAN

Now that the furor over car safety has subsided, it is instructive to consider some little-noticed aspects of the Federal legislation it produced.

1. *Cost.* The recently issued safety standards will raise the cost and hence the price of new cars. According to some estimates, consumers will pay about \$1 billion a year extra.

Suppose Congress had been asked to appropriate this sum for the identical safety equipment, raising the money by a special excise tax on automobiles. Would Congress have enacted this proposal as readily as it enacted the safety legislation? Yet, the two are identical except in form.

2. *Delegation of power to tax.* Congress has been jealous of its prerogative to impose taxes. Time and again it has rejected proposals that the President be granted discretion to alter tax rates. Yet, in this case, as in other similar cases, Congress has delegated to an administrative official near-absolute power to decide how large a tax to impose.

3. *Failure to compare alternatives.* The basic issue before Congress was safety, not requiring automobile manufacturers to build their cars in specified ways. Yet, so far as I know, there was no discussion whether \$1 billion a year would contribute more to safety if spent in this way than if spent in other ways — on improved highways, or driver education, or better enforcement of speed limits, or more intensive investigation of causes of auto accidents.

4. *Who will set the standards?* The National Traffic Safety Agency has already been criticized for yielding to the demands of manufacturers in drawing up its final safety standards for 1968 cars. Mr. William Stieglitz resigned as consultant to the agency on roughly these grounds. Such complaints will be even more justified in the future — though the complaints themselves may become less shrill.

How else can it work out? Safety standards are a peripheral matter to most car owners. A

Ralph Nader may get them or the politicians aroused enough to pass a law; but once the law is passed, the consumers will return to somnolence, from which only an occasional scandal will reawaken them. The car manufacturers are in a very different position. They have billions at stake. They will assign some of their best talent full-time to keep tabs on the standards. And who else has the expertise? Sooner or later they will dominate the agency — as, despite well-publicized tiffs, railroads and truckers have dominated the ICC; radio and TV networks, the FCC; physicians, state medical licensure boards; and so on.

5. *Effect on competition.* Several small specialty-car manufacturers have already complained that compliance with the new safety requirements would put them out of business — the 1931 Ford that one company replicates has less glass in total in its windshields than the windshield wiper standards require the wipers to clear! No doubt, special exemptions will be granted to these companies. But how shall we ever know about the innovations that might have been made, or the companies that might have been established, without this additional handicap?

The effect on foreign producers will be even more important. Any

extra cost will be more of a burden on them than on U.S. producers because they sell a much smaller fraction of their output in the U.S. Beyond this, it will become clear to the agency — staffed as it must be by men trained in the U.S. industry and in daily touch with it — that our cars are really safer and that the way to promote safety is to require foreign cars to meet American specifications.

The result will be a sheltered market for U.S. producers — and higher costs to U.S. consumers that have little to do with safety requirements.

6. *The effect on safety.* To begin with, the standards may well make cars safer. But, as administrative rigor mortis sets in, they will soon slow up product improvement, so that a decade from now cars may well be less safe. Reduced competition will reinforce this tendency. In addition, the higher price of new cars will raise the average age of cars on the road.

7. *An oft-told tale.* Time and again, laws passed to protect the consumer have ended up by restricting competition and so doing the consumer far more harm than good. Is it too much to hope that one of these days we shall learn this lesson before we enact a new law rather than after? ♦

## *Public and Private Enterprise*

IN ADDITION to being a good economist, John Jewkes, the eminent Professor of Economic Organization at Oxford, is a man with an exquisite taste for historical irony. His *Public and Private Enterprise* (University of Chicago Press, \$2.25), which is made up of his Lindsay Memorial Lectures given at the University of Keele, invokes Alexis de Tocqueville at the beginning. But it is not to hail the many prophecies of that remarkable Frenchman which happened to come true. Rather it is to quote from one of Tocqueville's rare historical mistakes.

"Everywhere," so Tocqueville said of the eighteen thirties, "the State acquires more and more direct control over the humblest members of the community, and a more exclusive power of governing each of them in his smallest concerns. . . . Diversity, as well as freedom, are disappearing day by day."

This was written at the time of

the Jacksonian revolution in America and the movement toward free trade in England. Far from "disappearing" in the eighteen thirties, "diversity" and "freedom" were just about to take off on the grand flight that was to make the nineteenth century such a wonderful period. What Professor Jewkes is intent upon establishing is to show that Tocqueville was right in retrospect if wrong in prospect, for the world previous to the eighteen thirties—the world of mercantilism and emperors who said "*l'etat, c'est moi*"—was indeed a world in which diversity had a hard struggle. For just about a hundred-year span after 1830, history was to reverse itself. But now, as Professor Jewkes laments, Tocqueville's words might correctly be applied. "Everywhere, and not merely in Socialist countries," says Jewkes, "that part of the national income taken in taxation; of the working population employed by the State; of capital expenditure incurred by

public authority, have all been on the increase over the past thirty or forty years."

Professor Jewkes does not expect a powerful reversal in social and political thinking that will change things. All paths, he says, "seem to lead to wider government responsibilities." Professor Jewkes doesn't like the contemporary intellectual atmosphere, but the noteworthy thing about his Lindsay lectures is that they don't tangle head-on with prevailing dogma. Instead of affirming fundamental doctrine, Jewkes suggests a rather pragmatic cost-effectiveness approach to affairs. He speaks of the lessons to be drawn from "the case-by-case method."

And so, without any fanfare about basic principles, or the philosophy of freedom, we get down to Professor Jewkes's cases.

### **Jewkes on Education**

Education is one thing that concerns Jewkes. He wonders about the "rate of return" to the community from the push to eradicate the college drop-out problem. The cost-effectiveness of trying to force-feed the expansion of university training is questionable. Says Jewkes, "A person who is trained as a doctor instead of becoming, say, a carpenter will presumably show higher earnings in consequence. But if many more doc-

tors were trained, the earnings of doctors themselves, including the existing doctors, would fall. It is conceivable that the total earnings of all doctors might decrease. Would the rate of return on investment in education then be considered negative?"

This is the sort of dryly ironical skepticism that pervades Professor Jewkes's book. He doesn't like the accent on using the schools to solve problems that seem to demand immediate attention. For when a drive is on to educate more people in, say, industrial design or the commercial use of foreign languages, the stress on specifics may "tend to drive out of the curricula those broad subjects of study which no one can defend as having direct relevance for economic expansion but which contribute much to general intelligence and the instinct for orderly living without which economic achievement would be inconceivable."

Jewkes likes generalists. But not when the generalists are conformists. "University education, even at its best," he says, "tends to bring about conformist thinking; for Universities cannot operate without standard tests and procedures." Jewkes has no good answer to the problem of battling conformity, but he does at least raise the question "of providing leisure and resources by which the young can

learn in their own ways and pursue their eccentricities."

Curiously, he is very skeptical of the value of spending huge sums on "research and development." "If we take the United States alone," he says, "where the statistics are most complete and where research expenditure has reached astronomical levels, the annual percentage rate of growth in industrial production is not higher than it was half a century ago. The number of patents taken out in that country have not been increasing." Jewkes wonders at the fact that "Japan, which shows the most impressive rate of economic growth in recent years, has not engaged in research and development on any extraordinary scale." On the basis of Jewkes's evidence one would have to say that endowing a young man with funds and sticking him in a fancy laboratory is not necessarily the way to enable him to "pursue his eccentricities" in a fruitful manner.

The conclusion to be drawn from Professor Jewkes on the subject of education is that the state might pay less attention to it without any adverse effects on the body politic. But Jewkes doesn't belabor the point.

#### **Other Governmental Failures**

The cost of a National Health Service is another subject which

Jewkes inspects in his dryly ironical way. He concludes that a free national service paid for largely out of general taxation "not only discourages people from paying privately for their medical services but leads them to be content with a service of lower quality than they might otherwise have been prepared to pay for."

Professor Jewkes does not attack the prevalent idea that "the outstandingly successful new function of government in our time has been the maintenance of full employment." Instead, he remarks on the "happy-go-lucky fashion" in which governments have accepted this new responsibility. "Persistent inflation" has been one result of carelessness. Government intervention to wipe out "massive unemployment" may justify itself to Jewkes "on the critical counts," but the "recent efforts of governments positively to engineer economic growth have been among their most palpable failures."

#### ***A Case for the Free Market***

Instead of going minutely into the failures of government-fostered "growthmanship," however, Professor Jewkes ends his lectures by making a case for the "free market as a strong civilizing influence." He thinks capitalist publishing has done more to civilize people than anything that socialists have done

anywhere. The paperback book, he points out, "was devised and has been spread over great markets by men looking for private gain. The interest in great music has been stimulated in recent years by many inventions but especially by the long-playing record and refined devices for reproducing sound, which were invented in the laboratories of commercial firms and widely distributed by many firms in vigorous competition. The sense of form and

colour has been fostered all over the world by the opportunity of amateur activity and experiment through the cheapening of the camera."

If our young are really looking for a man who questions all the clichés, Jewkes should be their prophet. He is not as flashy a phrase-maker as Galbraith, but he is a far more effective critic of what has become the new "conventional wisdom." ♦

## THE FREEMAN

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# RULE BY MARKETS VERSUS RULE BY MEN

YALE BROZEN

**Practically every individual has some advantage over all others because he possesses unique information of which beneficial use might be made, but of which use can be made only if the decisions depending on it are left to him or are made with his active cooperation.**

F. A. HAYEK

MARKETS do an unbelievably detailed and effective job of utilizing information drawn from millions of individuals. They digest the information, signal the appropriate action to be taken in utilizing the available economic resources, and motivate individuals in the most remote corners of the world to take the necessary action.<sup>1</sup> Markets are also the most democratic institution operating in the world

<sup>1</sup> Friedrich A. Hayek, "The Use of Knowledge in Society," *American Economic Review*, September, 1945; reprinted in *Individualism and Economic Order*, (Chicago: University of Chicago Press, 1948).

today. They minimize tyranny, maximize opportunity, and eliminate special privilege.<sup>2</sup> And free markets are the most efficient means for accomplishing both of these objectives.

In contrast, the attempts of a few men using the power of the state to order economic affairs have

<sup>2</sup> Harold Demsetz, "Minorities in the Market Place," *North Carolina Law Review*, February, 1965; Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), Chap. VII.

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produced ludicrous spectacles of misallocated resources manifested in forms such as monuments masquerading as steel mills and power dams which frequently do as little for their economies as the great pyramids of Egypt. The attempts of men to rule economic affairs have been accompanied by or resulted in the most despicable tyrannies in which "terror, sadistic cruelty, and constant insecurity have been the lot of all save a privileged few."<sup>3</sup>

Rather than dealing with these propositions at a general level — a task which has already been effectively performed by Mises, Knight, Hayek, Jewkes, Wright, and others in recent years as well as by eminent predecessors — this paper analyzes specific instances of the operation of the invisible hand. These are drawn primarily from American experience, although it should be kept in mind that other economies provide striking examples, some of which I will mention. Even the Union of Soviet Socialist Republics, once the great enemy of market methods, is rediscovering the efficiency of markets as contrasted to the inefficiency of men in guiding economic activity. Determining the appropriate goods to produce

and the appropriate technology to apply in production and motivating the efficient production of the most efficacious goods is too complicated a task for central planning. The days of central determination of production quotas, of technology, and of pay and profit rates are beginning to fade in Russia because of the cumbersome and the ludicrous inefficiency of that system of coordinating economic activity.

The Russian attempts to motivate high productivity and output by rewarding output in excess of a quota of *X pounds* of nails, for example, led to a large output of spikes and roofless houses for want of shingle nails. A shift to a quota of *Y number* of nails resulted in a great output of tacks and loose rails for lack of railroad spikes. Also, the fiction produced as accounting records in order to earn bonuses became an open scandal.

#### ***Market Coordination to Meet Unpredictable Needs***

In this country, the extraordinary capacity of the invisible hand to coordinate economic activity, particularly where the coordination must occur in a complex and unpredictable situation, is implicitly recognized in some of our regulatory legislation. The transportation of agricultural commodi-

<sup>3</sup> John Jewkes, *Ordeal by Planning* (New York: The Macmillan Company, 1948).

ties by truck is exempt from regulation. Only the free market provides the service required at the times needed at minimum cost.<sup>4</sup> For this reason, agricultural interests insist that their shipments by truck be exempt from regulation. They learned from their nineteenth century success in putting railroads under regulation that service is worsened and rates increased by such controls.<sup>5</sup>

The regulated set of enterprises operating in agricultural transportation demonstrate by their behavior what enormous losses of produce would occur and what costs would be incurred if all agricultural commodity haulage were centrally controlled or regulated. Shortages of grain cars and the resultant necessity to store grain in the open with the consequent spoilage are a recurring phenomenon. This is a result of the regulation of railroads — a phenomenon

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<sup>4</sup> The contrast between the costs of transportation under regulation and that in a free market is shown to be very marked indeed in an analysis of experience under the two sets of conditions by Stewart Joy, "Unregulated Road Haulage: The Australian Experience," *Oxford Economic Papers*, July, 1964.

<sup>5</sup> George W. Hilton, "Barriers to Competitive Ratemaking," *I. C. C. Practitioners Journal*, June, 1962; Paul W. MacAvoy, *The Economic Effects of Regulation: The Trunk-Line Railroad Cartels and the Interstate Commerce Commission Before 1900* (Cambridge: The M. I. T. Press, 1965).

which would not occur in the absence of regulation.

It is fortunate that truck movements of agricultural commodities are exempt from regulation. Otherwise, we would find ourselves in the Brazilian situation where one-third of the crops produced in the interior rot for lack of expeditious and adequate transportation.<sup>6</sup>

### **Expediting the Harvest**

A crisis in the wheat harvesting season in 1952 illustrates how open markets can meet even very short term emergency situations. The market did a job at that time which could never have been handled by central planning or by regulation as expeditiously or as efficiently.

Unusual weather in late May and early June ripened almost all of the 15 million acres of Kansas wheat simultaneously by the middle of June. Usually, wheat ripens about the middle of June in south central Kansas. The custom cutting crews with their combines begin harvesting there and move toward west and north Kansas in July, finishing in the northern and western areas in August and September.

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<sup>6</sup> J. K. Dunn, "Grain Storage Needs in Brazil," *Brazilian Technical Studies* (Washington: Institute of Inter-American Affairs, 1955), p. 395.

With almost all of Kansas ready to be harvested by June 16, in 1952, it appeared that only a few farmers would be able to get their wheat in before losing their crop to hailstorms, fire, wind, and other causes. "At this point, the pull of the price mechanism came into action, as the services of available machines were snapped up at rates of four to five dollars an acre (as compared to the usual three dollars an acre). Across the prairies the long distance telephones were busy; . . . spot radio announcements of 'combines urgently needed in Kansas' . . . at generous prices [were sponsored].

"Unsold combines disappeared from dealers' lots all the way to Canada; and from Texas to the Dakotas farmer-operators dropped their farm work, loaded their machines, and set out for Kansas. Added to the solid core of some 3,500 full-time professionals . . . came almost 5,000 extra outfits eager to dig their cutter bars into wheat at four and five dollars per acre. They came just in time and in just ample quantity. Almost no machines were to be seen waiting for jobs, yet in almost every field there was at least one big combine knifing its dusty way through the wheat."<sup>7</sup>

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<sup>7</sup> C. M. Williams, "Enterprise on the Prairies," *Harvard Business Review*, March-April, 1953.

The market mobilized equipment and manpower from the far corners of the country in an amazingly short time to meet the emergency. It mobilized those pieces of equipment and that manpower which occasioned the least sacrifice of alternative product. It avoided ordering equipment and manpower into the crisis area which would have entailed unduly large costs and sacrifices. Could any central planning bureau do nearly as well? Could any set of regulations of price or usage have done anything but reduce the expeditiousness and efficiency with which the job was done?

The story of India's attempt to improve agricultural practices illustrates the point by an opposite experience. In 1959, agricultural agents were sent out by the government to persuade farmers to adopt new practices to improve their yields. The agents did an outstanding job of persuading farmers to prepare their fields for the use of new seed varieties and for the application of fertilizers. Unfortunately, the seed did not arrive on time and the fertilizer was delivered to the wrong places. Fields went unplanted with considerable damage to peasant income and the Indian food supply.

A complaint made during the late April 1965 floods along the Mississippi in Illinois illustrates

the power of the market to direct activity to meet crisis situations. The city engineer of Rock Island complained that sand bags were being trucked into the area threatened by flooding and offered at 15¢ per bag. He felt that such profiteering should not be permitted since the price before the flood threat occurred was 12¢ per bag. One may wonder how he would have felt if no one had anticipated the great demand for sand bags or been motivated to truck them in. How would he have protected the property for which he was responsible if no sand bags had been supplied? He had not prepared for the emergency by accumulating an inventory of bags, but the market remedied his lack of foresight.

While impersonal markets succeed in coordinating activity even to meet short term, unpredictable emergencies, central planning by men often fails to meet predictable, longer term needs. The Indian situation cited above is one illustration. Another is that described in an April 28, 1965 U.P.I. story from Moscow based on information in *Pravda*. The newspaper lamented that several 16-story apartment houses in suburban Moscow were finished, but nobody could move in. No elevators! The situation was not unique to Moscow. *Pravda* said that "in many cities of the country tall

buildings are being put up and everywhere there is a shortage of elevators."

### **Market Coordination in Changing Circumstances**

However, let us turn to the coordinating and directing power of impersonal markets in a situation which is not a short-term harvest crisis or flood threat. Let us take the somewhat longer period from 1939 to 1946 when the American economy was dominated by the necessity of mobilizing for war and demobilizing on the return of peace. One group of industries was completely dominated by this set of circumstances. The munitions industries (as segregated by the Census of Manufacturers and the Bureau of Internal Revenue) doubled its capital in 1940, again in 1941, and in 1942 quadrupled its capital. In 1939, assets in the munitions industries were \$0.6 billion; in 1943, they amounted to \$13.4 billion. The subsequent decline was equally abrupt; within three years the capital of the munitions industries had fallen to \$2.4 billion.

The magnificent response of the munitions industries to war demands and their subsequent rapid adjustment to the decline in demand was a result of the effectiveness of the profit incentive. Some may think that the directives of

the War Production Board produced this result. These people should talk to the men who staffed the War Production Board. The WPB found that the stick could slow production and asset formation in some lines of production, but the carrot had to be dangled to obtain increased production. The actual profit record—the incentives which produced this result — is shown in the table below.

#### Average Rate of Return

| Year | All Industries | Munitions |
|------|----------------|-----------|
| 1941 | 8.56%          | 11.67%    |
| 1942 | 7.30           | 12.12     |
| 1943 | 7.30           | 9.65      |
| 1944 | 6.59           | 6.18      |
| 1945 | 5.43           | 4.39      |
| 1946 | 8.13           | -2.65     |

Source: G. Stigler, *Capital and Rate of Return in Manufacturing Industries*, (Princeton University Press for the National Bureau of Economic Research, 1963), p. 36. Rates of return in the munitions industries are on midyear assets except 1946.

As long as the rate of return in munitions exceeded that in all industries, the assets of the munitions industries increased without detailed direction from the men in Washington. After 1943, when the rate of return in munitions fell below that in all industries, assets employed in these industries decreased.

Following World War II, the American economy shifted from war to peace with relatively great-

er ease than the European economies, despite the lack of direction from governmental authorities. England and other countries which used government boards to redirect resources, and price controls and rationing to prevent chaotic consumer markets, had much greater difficulties (aside from those caused by war damage). Areas in which governmental controls in the United States were continued, such as housing, suffered from the same difficulties common in Europe.

#### Wartime and Postwar Adjustments

No one told the managers of U.S. enterprises which products they should produce. How, then, did we avoid the calamity of too many firms rushing into some industries and not enough into others in the shift from war to peace production? The market mechanism, profit, and other income incentives did for us the job which state planners attempted to do in other countries. Where products were in short supply relative to demand, prices went up, profits were attractive, and capacity was built or shifted to meet needs. Where products were available in relatively more than adequate quantities, prices dropped, profits declined or turned into losses, and labor and other capacity were released to alternative uses.

Differences among rates of return on capital not only attracted capital from the low-return to the high-return industries; they also attracted labor. High-return industries attracting capital bid for labor to operate the additional capital equipment. Low-return industries, producing goods for which consumers were not willing to pay much, could not afford to meet the bids of the industries producing the preferred goods.

The more rapidly expanding manufacturing industries grew by producing goods relatively more attractive to consumers in design and price. By improving design, raising productivity, and cutting price they made themselves profitable to both their suppliers of capital and to their labor force. The more profitable industries were also high-wage industries. The four highest-return industries paid wages exceeding \$5,000 annually (1957). They were bidding labor as well as capital away from the industries producing less preferable goods. The four lowest-return industries paid wages under \$4,000 annually and were losing labor to the high-wage industries.

In a few industries, men rather than markets set wage rates. In these industries, job opportunities were restricted by the overpricing of labor. Coal-mining was a prime example of undue increases in

wage rates with a consequent loss of jobs and movement of people out of high productivity work into low productivity occupations, the reverse of the movement which occurs in free markets. In the mid-forties, coal wage rates were 18 per cent above factory rates and 380,000 men were employed. By 1960, wage rates had been pushed to 40 per cent above now higher factory rates, job opportunities decreased to 170,000, and we became concerned about unemployment in Appalachia.

#### **Regional Adaptation**

Higher incomes in free markets act as an incentive to owners of resources (labor and capital) to move their resources not only to the industries where they produce the most desirable products, but also to the regions where they will be most productive. As we can see in the accompanying table, per capita income in Southeast United States in 1929 was only 52 per cent of the national average. Evidently, people in this region were only about half as productive as the average U.S. resident. This was partly because of lack of capital for each industrial or other worker, partly because of regional handicaps such as poor markets and transportation, and partly because of lower levels of skill. On the other hand, Mideast U.S. per

capita income was 138 per cent of the national average. Evidently, there were very productive uses for labor in this area.

### Regional Per Capita Personal Income (as Percentage of U. S. Average)

| Region         | 1929 | 1966 | Relative Change |
|----------------|------|------|-----------------|
| Midwest        | 138  | 113  | -18%            |
| Far West       | 129  | 115  | -11%            |
| New England    | 125  | 110  | -12%            |
| Great Lakes    | 114  | 109  | - 4%            |
| Rocky Mountain | 85   | 91   | + 7%            |
| Plains         | 81   | 96   | +18%            |
| Southwest      | 67   | 85   | +27%            |
| Southeast      | 52   | 77   | +48%            |

The average U. S. per capita income, in terms of 1966 prices, was \$1,370 in 1929 and \$2,950 in 1966. Source: *Survey of Current Business*, April, 1967.

Workers migrated from the Southeast to the areas where their labor could be used more productively. This movement left fewer workers on the land. The increase in land per farm worker raised productivity. Capital migrated into Southeast U.S. and made its contribution to increased productivity. Proportionately, more investment was made in the Southeast than elsewhere since labor could be bid away from the inferior alternative uses at lower costs. As a consequence, per capita income in the Southeast rose to 77 per cent of the national average by 1966 in spite of a great rise in the national average which occurred simultaneously.

### A Voluntary Response

The voluntary movement which has occurred out of the Southeast U.S. and into regions such as the Far West may be contrasted with the involuntary movements forced upon people by the men operating the Resettlement Administration in the 1930's. An illustrative story is the experience of a group of Ozark tenant farmers. Their farms were bought by the Resettlement Administration. They were told the farms would no longer be rented to them. The Resettlement Administration was intent on moving people from low productivity areas where they produce little income to high productivity areas where they could produce higher incomes. The Ozark tenant farmers were in effect forced to move from the farms in Southern Missouri which provided them with little income to farms in Northern Missouri which provided much better incomes.

Within a few years, however, most of the people involved had drifted back to Southern Missouri. When asked why they preferred poverty in the Ozarks to better living in Northern Missouri, the replies summed up to, "We missed the coon hunting and the hills."

The voluntary movement which has taken place in response to market incentives has been of self-selected persons. The people

who chose to move were those to whom higher income was more important than "coon hunting and the hills." Those who preferred their current surroundings did not have to move and did not. Yet, they did not lose by staying behind. Those who moved left behind capital and land which increased the resources per man of the stay-at-homes. This increased the income of the stay-at-homes.

The voluntary process of resettlement works better than the centrally directed, involuntary process. It selects, by self-selection, those people to whom the sacrifices or costs entailed by movement are minimal and to whom the gains are relatively more important. Usually, those who voluntarily move are those who can make relatively greater net gains. The voluntary response to the incentives of the open market does more to raise average productivity than managed moves of nonvolunteers administered by a government bureau.

### **The TVA Experience**

The events I have described above should warn us to go slowly in enacting special aid and subsidy measures for low-income areas in the United States, as has already been done to some extent and more of which are being proposed as part of the Great Society

program. If these measures take the form of subsidizing people to stay put, the incentive to transfer resources to superior uses is removed. As a result, per capita incomes — aside from subsidies — in distressed areas will remain low relative to the average for the nation.

This is perhaps best illustrated by analyzing the TVA area experience. The area has been and is heavily subsidized. Capital is provided by the Federal government (that is, by the rest of the country) for many projects at a price of 2½ per cent. All the capital for some projects is provided at no cost to the TVA area. Electricity is furnished to many buyers in this area at substantially lower prices than in neighboring areas whose suppliers must bear a heavy tax burden. The power company in Arkansas pays out 24 per cent of its revenues as taxes. The TVA makes payments in lieu of taxes, but these amount to only 2 per cent of its revenues. That is quite a substantial difference in the tax burden aside from the direct subsidization of the capital supplied to the TVA.

Presumably, in these circumstances, the people of the TVA area should have gained enormously.

An analysis made by the Kentucky Utilities Bureau in this re-

gard turned up a very surprising result. The Bureau was asked to determine whether it would be wise to invite the TVA to extend its operations further into Kentucky. In order to answer the question, it studied the TVA area and eight surrounding areas. It measured the change in various welfare indices such as per capita income, longevity, level of education, freedom from incidence of certain types of disease, and so on. As a result of the study, Kentucky decided not to invite the TVA to further extend its area of activity. The surrounding areas had, on the average, done as well as the TVA area.

When I heard of the study, I was puzzled about the results. They seemed paradoxical to me or, to put it bluntly, I found them hard to believe. It was only after a number of students had done some further analysis that an explanation emerged which made the study credible. The data on migration made the pieces fall into place. What TVA does is to subsidize people to stay put who otherwise would migrate. Voluntary migration of people out, and of capital in, and a change in the rural-urban balance did for the surrounding areas what the subsidies did for the TVA area.

In essence, what TVA has done and is doing is to subsidize people

to stay put in an area of lower productivity than the areas to which they would move. This means that we are keeping people in low productivity jobs instead of letting markets work to move them to higher productivity jobs. To this extent, average productivity in the nation is lower and per capita income is lower than it would be in the absence of the TVA. Also, income per capita in the TVA area is lower than it would be without the TVA. The capital drain from the rest of the nation has kept per capita income from rising as rapidly as it otherwise would. This has reacted to cause a less rapid rise in the TVA area than would have occurred in the absence of TVA, the very opposite of the result which our fallible legislators were presumably attempting to produce.

### **Market Coordination of Research and Technology**

At this point, I want to turn to a more difficult and less analyzed area, the role of open markets in directing research and development. I will do this by discussing some examples.<sup>8</sup>

In 1950, we had an enormous rise in the demand for benzene.

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<sup>8</sup> See Y. Brozen, "The Role of Government in Research and Development," *The American Behavioral Scientist*, December, 1962, for a general analysis.

The price had been 14 cents a gallon. Since it was an ingredient in the making of certain explosives, the outbreak of the Korean War greatly stimulated the demand. Since the price was still free to move, price ceilings not yet having been imposed, the price moved to 50 cents a gallon.

The price rise was an expression of the great new demand for benzene for certain overwhelmingly important purposes. It also served as an incentive for people to conserve the use of benzene in less important applications and release it for the more important.

The price rise created an additional response. It presented an opportunity to obtain a pay-off from the development of new technology for producing benzene from a new source. Benzene had been produced primarily as a by-product in the extraction of coal chemicals. Because of its by-product status, the elasticity of supply from the then available sources was very low. At the old price of 14 cents, it would not have paid to develop new sources by creating new technology, and there was little need for new sources since the supply was ample. The 50 cent price was a signal that the supply was no longer ample. Also, it was an incentive to develop a new source.

Universal Oil Products re-

sponded to the signal. It did some work on the plat-forming process for handling petroleum hydrocarbons. In three months it developed a process for producing benzene from petroleum. The price of benzene then dropped to 25 cents. This provided the signal that further research and development was not needed unless it was likely to create a process more efficient than the plat-forming method.

The open market responded to the benzene scarcity. It directed research to do a job to the extent that resources devoted to research could do the task with a smaller resource requirement than putting resources into conserving benzene and substituting other materials.

The opposite of open market direction is exemplified by the reaction of the Federal Bureau of Mines and of Congress. The Bureau of Mines said to Congress and the Defense Department, "We will be running out of petroleum soon. How are you going to move military equipment such as planes and tanks which depend on petroleum products?" The Bureau asked for a \$400,000,000 appropriation to work on the hydrogenation of coal and extraction of oil from shale. It almost frightened the Defense Department and Congress into pushing the appropriation through.

The oil industry is as much interested in providing liquid fuels for military equipment as the military establishment is in obtaining the fuels. To the extent that it would be cheaper to produce the fuels by coal hydrogenation and by extraction of shale oil, the industry would move in that direction. The industry had maintained a continuous program of research on a small scale to be ready to move when the state of science was appropriate and the scarcity of alternate sources of hydrocarbons made it necessary.

The time was not ripe, however, and the industry indicated this in congressional testimony. Nevertheless, Congress did appropriate \$100,000,000 and the Bureau of Mines built a pilot plant at Carthage, Missouri, and increased the scale of work at Rifle, Colorado. Both plants were shut down and have sat idle for a decade. We have wasted \$100,000,000.<sup>9</sup>

There is the difference between the open market response and the controlled market response.<sup>10</sup> Those in the open market were forced to operate on the basis of

economical use of resources since they could not call on taxpayers to pay for their mistakes. The controlled market operated on the basis of scarce headlines instead of the realities of resource availabilities and economy.

### Conclusion

Central planning by man has been praised as a superior technique for organizing the use of resources, selecting techniques, and directing production because presumably it employs man's capacity to reason and is rational. However, this is an argument for planning as against no planning. The issue thus drawn is false.

Free markets are a method of co-ordinating the decentralized planning of many organizations and individuals. Each plan can be fitted to local circumstances employing local knowledge in such a way that the total is coordinated under the constraints imposed by total resources and total needs. The issue is not plan versus no plan. It is centralized versus decentralized planning; limited initiative by a few, or widespread initiative by many.

This nation has attempted to maintain widespread initiative and, at the same time, intervene in markets with special programs to benefit politically powerful blocs and presumably worthy persons

<sup>9</sup> The Plant near Rifle was re-activated in 1965 with a governmental appropriation and is being used for research purposes under contract to six oil companies.

<sup>10</sup> For other examples, see Y. Brozen, *The Role of Technology in Conserving Strategic Materials* (multilithed, 1951).

who are not receiving "fair shares."

Where these interventions have changed the signals, such as wage rates and prices, or forced re-allocations of resources among areas or lines of production, such as the subsidizing of certain activities like agriculture and certain areas such as the TVA region and Appalachia, the results are frequently the opposite of those intended.

One example of a result opposite the intent has been described (the TVA instance). In that case, the intended beneficiaries are worse off than if the intervention had not been undertaken. Additional examples which illustrate the same point can be named. The tariff, which is supposed to protect the levels of living of American workers from the competition of low-paid foreigners, has simply monopolized low-paying jobs for Americans and prevented them from obtaining better-paid jobs which would have been available in the absence of the trade barriers we have imposed.<sup>11</sup> The imposition of the minimum wage and its subsequent increases have caused a loss of better-paying jobs by many of the in-

tended beneficiaries and forced them into lower-paying jobs or unemployment.<sup>12</sup> The subsidies provided for agriculture through such devices as the Rural Electrification Administration have depressed rural wage rates and increased poverty while enriching the already well-to-do.<sup>13</sup> The Federally sponsored and subsidized urban renewal programs which some believed would benefit poverty-stricken slum dwellers have instead forced them to pay higher rentals, reduced the supply of housing at their desired rental levels, and destroyed the livelihoods of hundreds of small business people.<sup>14</sup>

Free markets have done a magnificent job of eliminating poverty,<sup>15</sup> of improving the status of

<sup>12</sup> Y. Brozen, "Minimum Wage Rates and Household Workers," *Journal of Law and Economics*, October, 1962; M. Colberg, "Minimum Wage Effects on Florida's Economic Development," *Journal of Law and Economics*, October, 1960.

<sup>13</sup> D. G. Johnson, "Output and Income Effects of Reducing the Farm Labor Force," *Journal of Farm Economics*, November, 1960.

<sup>14</sup> The Chicago Housing Authority, *Rehousing Residents Displaced from Public Housing Clearance Sites in Chicago, 1957-58*; J. Segall, "The Propagation of Bulldozers," *Journal of Business*, October, 1965.

<sup>15</sup> A century ago, practically everybody in the United States fell below what has come to be called the line between poverty and non-poverty—a \$3,000 per year income measured in 1962 dollars. By 1947, the incidence of poverty as

<sup>11</sup> See Y. Brozen, "The New Competition—International Markets: How Should We Adapt?" *Journal of Business*, October, 1960.

Jews, Negroes, the Irish, and other minority groups, and of providing opportunities and outlets for the creative use of the energies of even the most deviant persons who are frequently jailed or shot in less open societies. Such markets make it impossible for the few to monopolize power and

defined by this standard had fallen from nearly 100 per cent of all families to 32 per cent. By 1964, those falling below the \$3,000 standard had diminished to 18 per cent.

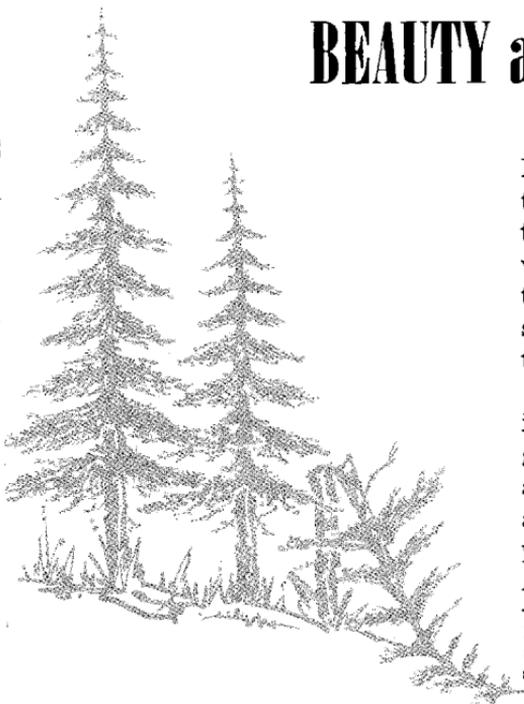
tyrannize their fellow countrymen. This, of course, is the reason that those with a lust for power are the enemies of the free market and the encouragers of intervention and central planning. As Trygve Hoff remarked, in an editorial in the Norwegian weekly, *Farmand*, "The hallmark of the 'planned economy' is not planning. It is that it aims to concentrate . . . power in the hands of the State." ♦

## BEAUTY and COMMON SENSE

MOST Americans respond characteristically to the appeals for beautification of our country. They want to have their cities improved, to remove scars from the landscape, to have an attractive countryside.

Conservation and preservationist groups have been preaching this gospel for years. They have done an effective job. They have aroused the innate decency of our people; they have appealed to American love of nature and re-

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spect for the out-of-doors. What the preservationists have done, however, is to overlook a simple fact of life. This is that our nation has grown great by learning the lesson of using our natural resources wisely, not by locking them up.

The forest industries in the last 50 years have done more for true conservation than all the Izaak Walton Leagues, the Sierra Clubs, and ladies daffodil societies lumped together. They have learned to perpetuate our timber resources while at the same time supplying the nation with the wood necessities of modern life.

As National Forest Products Association President, Gene C. Brewer, cogently puts it: "This is one industry that takes beauty from nature, converts it into products of beauty, and restores beauty to the forest." Preservationists currently are asking for an unrealistic "moon" in a manner which could result in thousands of jobless people and their forest communities economic dropouts. They want scenic trails, wild riv-

ers, national parks, wilderness areas, canoe preserves, monuments, and many other things that are laudable — if taken in proportion. But when they seek to indulge hobbies at the expense of sterilizing producing resources, when they seek to cut off necessary economic production of the needs of everyday life, they are not using common sense.

If the forest industries are to be continually restricted, constantly hampered, and put out of business, how will people fulfill their most basic human needs? What is to be the source of material on which to print their news letters and sermons? What will they use to build houses? What will they use for furniture? Forest industries, which may have become the greatest conservationists of them all, have learned to live with recreation, parks, trails, waterways, and all the rest. But they have done it by using good judgment and common sense.

Isn't it about time for the preservationists to use some, too?

#### IDEAS ON LIBERTY

*Ben Moreell*

WE CONSERVE natural resources by using them in the most efficient and economic manner. . . . If a given project cannot pass the test of economics, that is a sure sign that it is not conservation but waste.

*Our Nation's Water Resources — Policies and Politics*



# *Plato, Your Philosopher King Has Been Found!*

LEONARD E. READ

LIFE in the Athens of twenty-four centuries ago was relatively simple. Economics as a discipline had not been considered; technology as we know it was nonexistent; specialization in medicine, manufacturing, or any other field had scarcely begun. Computers? Why, even the concept of zero was a thousand years in the future. The Athenians, by our standards, knew nothing of the complexities we experience in everyday life.

Simple? In a sense, yes. Yet, human beings were as complex then as now. Each individual was unique. No two thought alike, or had the same incentives, talents, desires, likes, dislikes, goals, aspirations, energies. Variation! And to the mind of a social planner this spelled chaos, humanity at sixes and sevens. How possibly

could order be brought out of such disorder? Precisely the same question people raise today. And inspired by the same lack of understanding!

Plato gave us the philosopher-king idea — an omnipotent leader all-wise enough to play a totally dominant role. Plato's final statement of the idea is found in *Laws*, #942, where the Athenian says:

The greatest principle of all is that nobody, whether male or female, should be without a leader. Nor should the mind of anybody be habituated to letting him do anything at all on his own initiative; neither out of zeal, nor even playfully. But in war and in the midst of peace — to his leader he shall direct his eye and follow him faithfully. And even in the smallest matter he should stand under leadership. For example, he

should get up, or move, or wash, or take his meals. . . only if he has been told to do so. In a word, he should teach his soul, by long habit, never to dream of acting independently, and to become utterly incapable of it.

### A Perfect Planner

What really lies at the root of the philosopher-king idea which has persisted since Plato's day? To answer, "the will to power," is to gloss over the explanation. Plato himself had no authoritarian aspirations, and I suspect the same can be said for nearly every thinker who dwells on perfecting society. Persons who occupy themselves intellectually in this manner have neither the time nor the inclination to ascend politically. These thinkers are searching for something more difficult to find than power is to gain. What is the object of their search?

These self-appointed doctors of society view the human scene and see people going every which way, each man in pursuit of what interests or intrigues him most. Unregulated human action is random, they suspect, lacking in economy and needing direction. How can there be any order, any grand purpose served, when millions of individuals act personally, privately, and independently of each other? Particularly when each one has only a smattering of some unique knowledge, merely a tiny bit of

know-how peculiar to each! Think of the enormous benefit that would redound to all should some one person—a philosopher-king type—encompass in his own person a totality of all knowledge. Be done with this helter-skelter and its wastage! What society requires is a "creative *combining* mind," an intellectual superman who can synthesize all of the discrete skills, know-hows, wisdoms!

Nor is this a notion exclusive with Plato; it pervades and dominates the minds of millions. The reason that we think of the philosopher-king idea as distinctly Platonic is that he, and now and then another intellectual giant, is strikingly explicit in setting forth the notion. Millions of people go along with the idea but without any ability to express it in explicit terms.

### "The Remaking of Man"

Among these few intellectual giants, we should take note of the distinguished scientist, Dr. Alexis Carrel. In his remarkable book, *Man, the Unknown*, he entitled the concluding chapter, "The Remaking of Man."<sup>1</sup> Note how he would remake man (*italics mine*):

Every year we hear of the progress made by eugenists, geneticists, sta-

<sup>1</sup> *Man, the Unknown* (New York: Harper & Brothers, 1935.)

tisticians, behaviorists, physiologists, anatomists, biological chemists, physical chemists, psychologists, physicians, hygienists, endocrinologists, psychiatrists, immunologists, educators, social workers, clergymen, sociologists, economists, etc. But the practical results of these accomplishments are surprisingly small. This immense amount of information is disseminated in technical reviews, in treatises, in the brains of men of science. No one has it in his possession. *We have now to put together its disparate fragments, and to make this knowledge live within the mind of at least a few individuals. Then, it will become productive. . . .*

In about twenty-five years of uninterrupted study, one could learn these sciences. At the age of fifty, those who have submitted themselves to this discipline could effectively direct the construction of the human being and of a civilization based on his true nature. . . .

Democratic rulers, as well as dictators [what's the difference?] could receive from this source of scientific truth the information that they need in order to develop a civilization really suitable to man. . . .

*We have to intervene* in the fundamental organic and mental processes. These processes are man himself. *But man has no independent existence.* He is bound to his environment. In order to remake him, we have to transform his world. . . .

A group, although very small, is capable of eluding the harmful influence of the society of its epoch by imposing upon its members rules of

conduct modeled on *military* or monastic discipline. . . .

Such a minority would be in a position to impose, by persuasion or perhaps *by force*, other ways of life upon the majority. . . .

*We must single out the children who are endowed with high potentialities, and develop them as completely as possible.*<sup>2</sup> . . .

The sons of very rich men, like those of criminals, should be removed while still infants from their natural surroundings.<sup>3</sup>

### **Power to the Rescue**

Dr. Carrel no more aspired to political power than did Plato. But these two, along with countless others, less famous, of the philosopher-king school,<sup>4</sup> have erected an ideological framework which has made it possible for the Hitlers and Stalins to achieve political dictatorship without effective opposition. The mere acceptance of the

<sup>2</sup> Who are "we"? It's a million-to-one bet that "we" would never have singled out that 12-year-old newsboy in Michigan—Thomas Alva Edison!

<sup>3</sup> Peacefully? Hardly! The removal would have to be at the point of a gun; rich parents love their children, too!

<sup>4</sup> The late C. S. Lewis writes of these ideologists and says, "I am not supposing them to be bad men. They are, rather, not men (in the old sense) at all. They are, if you like, men who have sacrificed their own share in traditional humanity in order to devote themselves to the task of deciding what 'Humanity' shall henceforth mean."

lording-it-over-man concept paves the way for coercionists or war lords.

People — intellectual giants or midgets — who feel the necessity of a grand synthesist (and never finding such a person, for he does not exist) will and do turn to government to handle problems they wish to shun; the state becomes their philosopher king. This naive approach leaves the gate wide open for the most persuasive and seductive among the seekers after power.

The philosopher king! The grand synthesist! The creative *combining* mind! How much contrary evidence must we have to rid ourselves of this faulty notion! The two examples of Plato and Carrel should suffice — men with admittedly superior intellects arriving at such schemes to remake humanity. How can we explain the paradox of growing intellects leading to this nonsense? Perhaps the genius — the relatively superior one — is thereby blinded and sees no boundaries for himself. He steps out of bounds, as we say; he goes over and beyond the role intended for man, steps into God's Realm, and falls into an abyss of utter absurdity.

But the grand-synthesist idea can easily be refuted. Any highly specialized scientist or technician will, when carefully questioned,

confess his inability to keep abreast of the advances in his own narrow specialization. Is there, then, some one of them who can arise to a know-it-all position, who can encompass infinity in his finite mentality? Preposterous!<sup>5</sup>

### **The Creator's Role**

Those who have sincerely approached the problem of ordering human society have always found disillusionment in their attempts to discover the Combining Mind in any man or in any enforced combination of men. Plato himself finally despaired of finding a philosopher king. In fact, as he grew older, he devoted his best efforts to the erection of *barriers* to the exercise of power by one human being over another.

The *combining* mind is not to be found in creation but only in the Creator. I have never heard anyone contradict Joyce Kilmer's "Only God can make a tree." How can anyone who cannot make a tree logically contend that man

<sup>5</sup> An acquaintance who for several decades has been a distinguished physiologist at one of our great medical schools, and who has specialized in blood, a narrow phase of a narrow specialization, admits that he knows very little about this "red river of life." The deeper he explores, the greater is his sense of not knowing. Only a person unaware of how little he knows could possibly aspire to become the synthesist of all science, let alone political economy and the other disciplines.

can make or remake man? Surely, man is higher in Creation's Scheme than is a tree.

Because God is exclusively the Combining Mind, are we then left naked and helpless amidst our thousand-and-one seemingly disparate specializations? Is there not some combining force at the human level and for human disposal, a principle which if scrupulously observed will perform this admittedly essential function?

The answer is an unequivocal "Yes!" and the principle is liberty. Plato, *your philosopher king has been found, not in a person but in a principle!*

#### **The Provisioning of Paris**

Who first discovered and comprehended this principle no one knows. For centuries, some thinkers have perceived the vital connection between man and his Creator and between creativity and freedom. One of those thinkers who grasped at least a portion of this vital connection was Frederic Bastiat. Writing in the 1840's about the economy of Paris, unbelievably more specialized and complex than the economy of Athens twenty-four centuries earlier, he observed:

On entering Paris, which I had come to visit, I said to myself—Here are a million of human beings who would all die in a short time if pro-

visions of every kind ceased to flow towards this great metropolis. Imagination is baffled when it tries to appreciate the vast multiplicity of commodities which must enter tomorrow through the barriers in order to preserve the inhabitants from falling prey to the convulsions of famine, rebellion, and pillage. And yet all sleep at this moment, and their peaceful slumbers are not disturbed for a single instant by the prospect of such a frightful catastrophe.

On the other hand, eighty provinces have been laboring today, without concert, without any mutual understanding for the provisioning of Paris. How does each succeeding day bring what is wanted, nothing more, nothing less, to so gigantic a market? What, then, is the ingenious and secret power which governs the astonishing regularity of movements so complicated, a regularity in which everybody has implicit faith, although happiness and life itself are at stake?

That power is an absolute principle, the principle of *freedom in transactions*. . . .

In what situation, I would ask, would the inhabitants of Paris be if a minister [a philosopher king] should take it into his head to substitute for this power the combinations of his own genius, however superior we might suppose them to be—if he thought to subject to his supreme direction this prodigious mechanism [freedom in transactions—the free market], to hold the springs of it in his hands, to decide by whom, or in what manner, or on what conditions, everything needed should be

produced, transported, exchanged, and consumed?

Truly, there may be much suffering within the walls of Paris — poverty, despair, perhaps starvation, causing more tears to flow than ardent charity is able to dry up; but I affirm that it is probable, nay, that it is certain, that the arbitrary intervention of government [the coercive synthesist] would multiply infinitely those sufferings, and spread over all our fellow citizens those evils which at present affect only a small number of them.<sup>6</sup>

### **Miracle in the Sky**

The economy of nineteenth-century Paris was markedly more complex than the economy of Athens in 400 B.C. And the economy of the U.S.A. today is incomparably more specialized and complex than the Paris Bastiat wrote about. This point is stressed to emphasize the incontrovertible fact that the more complex the economy, the less is the possibility of human master-minding and the more must our reliance be on liberty — freedom in transactions.

Bastiat marveled at the provisioning of Paris, and well he might. The myriad provisioners, throughout the eighty provinces, went about their business of growing and raising without any

thought of where their produce was going. They merely kept their eye on prices: high, grow; low, no. And, lo, Parisians slumbered peacefully without fretting about the morrow. Principle rather than some philosopher king or dictatorial synthesist was operating to a marked extent. And, interestingly, the people of Paris knew no more about the principle than did their provisioners. But Bastiat grasped and explained it and warned, in effect: Ignore it at your peril!<sup>7</sup>

The provisioning of Paris! A veritable miracle! Yes, a miracle in the sense that hardly anyone had any awareness as to the why of their well-being. They enjoyed these economic blessings with no more appreciation or understanding than of the sunshine that graced their lives.

The provisioning of Paris miraculous? Then consider this provisioning: In 1966 more than 100,000,000 meals were served in the skies by U.S.A.-owned airlines alone. Just one of these — United — spent more than \$30 million last year in provisioning its restaurants in the clouds.

I wonder what the brilliant Bastiat would have exclaimed had

<sup>6</sup> This extract is from *Social Fallacies*, Register Publishing Company edition, 1944.

<sup>7</sup> Even in Russia the principle is not totally ignored. Were any people to disregard freedom in transactions 100 per cent, all would perish.

he been my seatmate on a TWA jet leaving Athens — nearly seven miles above the Aegean Sea and winging eastward at about 600 miles an hour! Assuming that the jet itself hadn't left him speechless, what might he have said when the stewardess passed the menus? There were, of course, the appetizers, a choice of soups and salad dressings and desserts and beverages. But reflect on the entrees from which we might have chosen:

Roast Sirloin of Beef  
[Kansas grown]

Broiled Filet Mignon  
[Rare or well done, Sir?]

Maine Lobster Thermidor  
[Maine lobster over the Aegean Sea!]

Roast Duckling with Sour Cherries  
[Long Island and California]

Curried Squab Chicken  
[India and Delaware]

Fillet of Sole in Shrimp Sauce  
[North Channel fish]

Individual Lamb Rib Roast  
[Utah gets into the act]

All of this would have been incredible even to the perceptive Bastiat. Good foods from such distant places, most of them harvested weeks earlier! Impossible! Why aren't they spoiled? For Bastiat had never known of anything frozen except temporarily by Mother Nature.

My explanation would have sounded strangely similar to his understanding of the provisioning of Paris, except more "far-fetched." For instance, Monsieur Bastiat, some of these vegetables were grown in California. They were then picked, cleaned, prepared, quick frozen, and placed in an atmosphere, kept at or near zero degrees Fahrenheit; and then the frozen vegetables *and the atmosphere* were transported and hoisted aboard this jet, both the vegetables and the atmosphere remaining in this state until you and I select our entree for dinner tonight.

I realize, Monsieur, that you never heard of an electric oven, this marvel of freedom in transactions, which cooks our meals tonight. But a year from now, if our freedom prevails, this oven will be discarded as outmoded. Instead, a microwave oven will cook the frozen steaks, for example, in four minutes. And this coffee! Isn't it delicious? And far superior to any you ever tasted in Paris. The beans were grown in Brazil, Colombia, Guatemala, and Java, blended and roasted in New York City, and brewed on this jet in less than five minutes. Pardon me, I almost forgot. These wines and champagnes are mostly from your native France.

Actually, Monsieur Bastiat, what you are experiencing tonight

is no more than an extension of the phenomenon you so clearly perceived 120 years ago — the absolute principle of freedom in transactions.

This jet, these delectable foods, the mobile zero atmosphere flying through space, the ovens, and so on, are a fantastic combination of nature's resources originating all over this earth, plus trillions upon trillions of tiny human creativities, inventions, discoveries going back to the beginning of thought. What you and I enjoy are natural and automatic coalescences of these infinitesimal intelligences, formations that occur when intelligence and resources are free to flow.

As you so cogently pointed out, no minister could have planned our experience this evening. Had any man or men — Plato's philosopher king, Carrel's synthesist, or any bureaucracy—been substituted for the basic principle of freedom in transactions, such an evening as ours would be unthinkable. Thanks for having enlightened at least a few of us. *Bonne nuit*, Monsieur.

### **Trying to Understand**

It is one thing to find Plato's philosopher king, not in the form of a person, but in the observance of a principle. It is quite another matter to explain why the principle is so difficult to find and un-

derstand. Why, we must ask, do so few perceive what appears to be a simple fact? Perhaps anything is simple once perceived, complex before hand. Authoritarians are explicit in setting forth their schemes. Why are we devotees of liberty so vague and ambiguous when trying to explain freedom in transactions and how it works?

If I have no more difficult task than to set forth the little I know and my few beliefs, it is fairly easy to be explicit. There is no trouble at all in imitating Plato's line, ". . . to his leader he shall direct his eye and follow him faithfully," or Carrel's belief, "The sons of very rich men, like those of criminals, should be removed while still infants from their natural surroundings." The authoritarian's way is founded on personal dictations such as "from each according to his ability, to each according to his need," or a rent control, an embargo, a government's debt, a tariff, a subsidy. These can be observed. Being explicit is easy.

But when freedom in transactions is allowed, description amounts to explaining the miraculous. When riding on a jet, for instance, one is no more conscious of its make-up than the people of Paris were of that city's provisioning. Who sees in that plane —

as much a part of it as its wings—the harnessing of fire, the concept of zero, the discoveries that accounted for the vulcanization of rubber, or the making of blueprints? *That jet rides as much on trillions of tiny ideas as it does on the air through which it speeds.*

Creativities flowing freely and in complex interchange—freedom in transactions—are in solution, so to speak; they integrate imperceptibly, become a natural part of the human situation. They're soluble, as are grains of sugar added to a pail of water: it still appears as a pail of water, although a mite sweeter. But the discrete grains, as the tiny creativities, are lost

track of as they become an integral part of the whole.

Only now and then does a Bastiat come among us, one who can discern a profound principle at work. Mostly we're plagued with would-be philosopher kings, men who are explicit and disarmingly persuasive. Yet, we are critically dependent on the kind of discernment displayed by our French friend and on a healthy skepticism of the philosopher-king idea in its myriad forms. Let man confine himself to his own realm and never invade God's; *freedom in transactions* will admirably serve us as the most efficient of organizers. ♦



## GIVING A HAND TO SMALL BUSINESS

LAWRENCE FERTIG

THE AMERICAN PUBLIC is naturally very sympathetic to small business. Everyone likes to see David victorious over Goliath. The best way to help the little fellow is to remove from his back the load of taxes, work restrictions enforced by labor unions, artificial mini-

mum wage laws, and other burdens which now severely affect him. But even under these current restrictions thousands of small businesses, privately financed and privately managed, have been very successful. Look through the Over-the-Counter stock market and you will find there many glowing records of success by small companies making fried chicken, elec-

Mr. Fertig is an economic columnist. This article appears by permission of Columbia Features, Inc.

tronics, hamburgers, special tools, and so on. But this record has been due in no way to government intervention by the Small Business Administration (SBA).

The Small Business Administration in Washington has achieved an unenviable record. The SBA is probably the biggest flop of all government agencies employing Federal cash in an attempt to improve the economy by subsidizing special groups. This must be considered a remarkable achievement considering the long history of failure by these agencies.

### **Conflicting Objectives**

One basic trouble with the SBA is that it tries to achieve two objectives which often defeat each other. On the one hand the SBA tries to "fight poverty." On the other it tries to help small business grow and become more profitable. The result has been that poverty has not been noticeably relieved, and millions of dollars of taxpayers' money has been wasted on loans to small business which never had a chance from the start.

In the name of Anti-Poverty the SBA has financed automobile repair shops, laundries, bakeries, hobby shops, pet shops, and the like. Frequently, these have been run by people with little experience and less talent. Many soon

failed. In nearly all cases these businesses could not get commercial financing because the chance of success was practically nil. An SBA spokesman said quite truthfully, "You've got to expect losses when you're fighting a war on poverty." This statement reveals a deep confusion. Most of these loans had little to do with fighting poverty.

To encourage small business (which is the other objective of SBA) this agency has financed what are known as Small Business Investment Companies (SBIC's). These companies, privately owned, are subsidized by government loans of up to twice their invested capital, at a low interest rate. They can charge off capital losses 100 per cent against current income. They can accumulate earnings without incurring tax penalties. Stockholders of an SBIC get special tax privileges—if they sell their stock at a loss they can deduct the loss from income. A lot of people rushed to take advantage of this government-financed gravy train—but the results were quite different from the anticipation. In March this year the SBA officially reported that out of 732 such companies, 232 were "problem" companies; 60 were in process of liquidating; 42 had lost more than half their private capital; and 13

had lost more than half their private and government capital.

Bernard L. Boutin, [then] Director of SBA, estimated in April that \$50 million of the \$242 million so far advanced by the Federal government to SBIC's would be lost.

This is a sorry record. Much of it could have been anticipated. As every businessman knows, it takes unusual ability to make a small business grow. Easy financing frequently induces sloppy management, and in many cases internal corruption. This is what happened to many SBIC's. Government cash freely distributed is not the way to stimulate sound private enterprise.

#### *In Case of Failure, Try More of Same*

Having produced this record of failure, what is the solution offered by the SBA? It is the usual one offered by every government agency which is not successful after losing substantial Federal funds. Their solution is — *more* government money and an *ex-*

*panded* program for Small Business Investment Companies. The SBA sent to Congress at the end of May proposed legislation which would give these investment companies greater access to Federal cash. "The average Small Business Investment Company," said Mr. Boutin, "is much too small, much too limited in financial resources and management skills to do the job contemplated by Congress." So Mr. Boutin would raise private investment from the present \$300,000 to \$1 million, and he would increase maximum government investment to \$10 million from the present \$4.5 million. In this plan there is no guarantee of "management skills" necessary to protect government cash. Many SBIC's have failed and they will again.

The way to encourage small business is to relieve its back-breaking load of high taxes and labor union restrictions on work. This is the form of Federal aid it needs — not government subsidies. ◆

#### IDEAS ON LIBERTY

### *Capital Punishment*

CAPITAL PUNISHMENT is when the government taxes you to get capital in order to go into business in competition with you, and then taxes the profit of your business in order to pay its losses.

AUTHOR UNKNOWN

# POWER

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## 4. PROSPECTS

WIELDERS of power are destroying the world in the mistaken belief that they are improving it. Many men have experienced the temptation to remake the world. Some have hoped to build a happy and prosperous nation through the suppression of all traffic in alcohol. Others have expected to create a "master race" through the extermination of "impure" races. Such schemes invariably have ended in disaster for ruler and ruled alike. The record of failure is being extended by the most "modern" of the schemes to remake the world through the use of coercion. The record of the planned society, whether in economic, political, or moral questions, is far from enviable.

One of the worst features of

the planned society is its incorporation of religious zeal in the service of repressive ends. The humility implicit in a sound religious faith has often retarded men's appetite for power; but even religion is showing signs of degenerating into a mere humanitarianism which substitutes the material for the spiritual and man for God.

The increasing spread of the planned society has tended to sweep aside such institutional guarantees as religion and private property, and has tended to override the traditional political bulwarks against such unchecked exercise of power. Worst of all, the extension of power has been sufficiently gradual, and the accompanying semantic erosion has been

so complete, that the new extension of power into every area of our lives is today widely accepted as our "traditional American way."

The new exercise of power in the name of "humanitarian" goals is none the less dangerous because its ends appear commendable. In the words of Immanuel Kant: "Nobody may compel me to be happy in his own way. Paternalism is the greatest despotism imaginable." For the social reformer thus to select the goals in pursuit of which he will exercise his tremendous authority is to deny men the exercise of their own will, stripping them of their humanity.

### **Erosion of Value**

For many centuries throughout the history of the Western World, the belief in the divine origins of individual human personality became progressively stronger, thus engendering an understanding of the necessity for the limitation and fragmentation of power. As belief in the divine origins of individual human personality has tended to wane in the modern world, this trend has increasingly reversed itself. Man has seen fit to dispense with God and substitute man in His place, and the barriers of Natural Law have come down as the result of that substitution. The way has been

cleared for the exercise of power in a new moral framework. This framework now defines "morality" as social utility, to be decided upon by those exercising power. The ethical abyss opening at the feet of modern man is the direct result of that definition.

Since Descartes, Western philosophy has increasingly departed from the realism of the Greeks, the Bible, and St. Thomas. The result?

But in our society, where relativism rules supreme, where truth is not merely distorted but its very existence denied, power grows to monstrous proportions without any inner check in the bosoms of those who hold it. In the place of truth, the ideal is adjustment, that is, the acceptance of whatever happens to be the modes of thought and action established among us — not because it is purported that they are true, but just because they are. In this paradise for power unchecked by any criterion but its own, the way of the man who would bear witness to and fight for truth because it is truth is doubly hard. Not only, as in former ages, must he confront the established authorities of the day with the divergence of their acts from the demands of truth; he has to substantiate — explicitly or implicitly — the very title of truth as criterion.<sup>1</sup>

<sup>1</sup> Frank Chodorov, *The Rise and Fall of Society* (New York: Devin-Adair, 1959), pp. vii-viii.

**Truth and Not Power  
Has the Last Word**

Yet, it is this modern relativism which today stands astride our society and which controls such vast and unlimited power. But power, of itself, is not the final controlling element in man's life. The old assertion that "the truth will out," suggests quite properly that Truth and not Power has the last word in the affairs of man. Power, resting upon any other foundation except Truth, ensures its own destruction, a destruction from which the Truth will again emerge in the intellect and spirit of man. Those exercising power upon any other basis than Truth are, in the words of George Schuyler, "like a colony of ants riding on the end of a log floating down the Mississippi, while discussing destiny."

Correct action automatically follows understanding — the only route to correct action. Nothing else will serve. If this process seems hopelessly slow, there should be the sustaining faith that liberty is in harmony with truth, and with the intended design of the human social order. Truth is immortal, despite the defeats that it seems to suffer along the way. Truth has a power that is no respecter of persons, nor of the numbers of persons who may at any time be in darkness about truth. Truth has a power that cannot be touched by physical

force. It is impossible to shoot a truth.<sup>2</sup>

It is helpful to remember that throughout the history of man, oppression has been his usual lot. The extent and duration of a substantial amount of liberty in this nation is the exception, not the rule. Should we continue to condone the wide exercise of power within our society, our exceptional circumstance seems destined to come to an end.

We have reached the point in our society where we no longer seem to understand that centralized authority has neither money nor power of its own. Centralized authority has only what wealth and power it can extract from society. It is this lesson which has convinced our most thoughtful social critics of the necessity of restricting power while dividing authority among as many different elements of society as possible. Our modern trend is toward the destruction of such a system and the substitution of the more "efficient" exercise of centralized control. In *The Course of Constitutional Politics*, Benjamin Constant, viewing the excesses of the French Revolution, pointed out

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<sup>2</sup> F. A. Harper, *Liberty—A Path to Its Recovery* (Irvington, N.Y.: Foundation for Economic Education, 1949), pp. 126-27.

***This country has gotten where it is in spite of politics,  
not by the aid of it.***

WILL ROGERS

that power, and not politics, was the real culprit:

Entrust it [unlimited Power] to one man, or to several men, or to all men, as you please; whichever it is, the results will be equally unfortunate for you. You will then wax hot against the actual holders of this Power, and will, according to circumstances, accuse in turn monarchy, aristocracy, democracy, mixed governments, and the representative system. You will be wrong; it is the measure of force that is the culprit, not its holders. Your indignation needs to be directed against the sword and not against the arm. There are weapons which are too heavy for the hand of man.

***"It Can't Happen Here!"***

Such sentiments caused our Founding Fathers to erect numerous barriers in the way of the exercise of centralized authority. The success stemming from that limitation of power has provided more material prosperity and political liberty to more people than any other attempt in the history of the world. Ironically, the power of centralized administration in this country has grown in large part because of this very inexperience of the American people with tyrannical governments. The

frequent response to the allegation that centralization of power is creating a despotic administration is the attitude, "It can't happen here."

Yet, it can happen here! It is happening. A clear understanding of the American tradition of limited government and individual liberty is necessary if we are to resist and reverse the tendency of our times.

Our forebears were consistently suspicious of government and of the political spectrum in general. In "Thoughts and Details on Scarcity," Edmund Burke warned:

To provide for us in our necessities is not in the power of government. It would be vain presumption in statesmen to think they can do it. The people maintain them, and not they the people. It is in the power of government to prevent much evil; it can do very little positive good in this, or perhaps in anything else.

Or, in the even more succinct statement of Will Rogers, "This country has gotten where it is in spite of politics, not by the aid of it." It is upon this tradition of hardheaded common sense that

the reinstatement of the American framework must begin. Individual freedom, free enterprise, local community, the sanctity of such institutions as religion and family, and the right of individual conscience . . . it is in the reassertion of these fundamental truths that power will find its nemesis.

### **Free to Choose**

Innumerable times each day, we depend heavily upon freedom of choice in virtually every aspect of our lives. The free choice still available to the American citizen is virtually beyond belief to most of the inhabitants of the world in our time, or indeed at any time throughout history. Yet this very freedom of choice is suffering a rapid attrition. To reverse the trend, we must begin appreciating what blessings we have enjoyed and still enjoy so that we may fully perceive the nature of the loss which faces us.

Imagine trying to convince grandfather half a century ago that the time might come when the American farmer would require permission from a Federal agency to plant his crops! Yet, today, the farmer has lost his right to choose. Newspapers recently carried the story of an Ohio farmer who has spent the past ten years in constant litigation with the Federal government, nearly bank-

rupting himself in the attempt. He is now threatened with the loss of his farm, all because of a dispute as to whether he planted twenty-three acres of wheat on his farm, or only fifteen acres. He has decided to pay his fine, the article reports. "Mr. Donaldson still maintains his innocence, but after ten years of fighting he decided to pay rather than see his 389-acre farm auctioned off."<sup>3</sup> What has happened to Mr. Donaldson's freedom to choose?

If a farmer can no longer raise the grain to feed his own chickens or a businessman can no longer decide which workers he will hire at what rate of pay, each has lost his freedom to choose to that extent. Each time the tax collector comes to your door for a growing portion of your income, you have lost that degree of freedom to choose in your life as well.

Often the loss of this freedom of choice is a joker hidden in the deck and comes as quite a surprise to the community or the individual who so eagerly accepted the alleged benefits held out at the time the program was originally promoted. For example, Wichita recently discovered that it can no longer initiate a referendum to determine its actions or its continued participation in existing

<sup>3</sup> *The Wall Street Journal*, April 20, 1967.

urban renewal laws. It seems that once a city elects to come under urban renewal, and once conditions exist for the application of urban renewal laws, the city in question no longer retains control, even by popular vote.<sup>4</sup>

These specific examples, drawn from current newspapers, could be multiplied by the thousands the length and breadth of the land. Sometimes it helps, however, to talk about specific instances, specific communities, specific individuals, because it is in these specific instances that freedom of choice is lost for the individual or the community involved.

What sort of freedom of choice lies ahead for us? The Federal government is even now extending its dominion into public education. Proposals are being put forth concerning a Compulsory Youth Corps for our young citizens between the ages of 18 and 20.<sup>5</sup> How far need such trends go before the American people realize what they are losing in the bargain?

Freedom is such a precious good that we ought to be ready to sacrifice everything for it, possibly even prosperity and abundance, should we be compelled to do so by the necessities of economic freedom. Then we can point out that, luckily for us, an eco-

nomie system based on liberty — without which liberty itself cannot exist — is at the same time infinitely more productive than a system of controlled economy.

We should avoid luring men into acceptance of economic liberty by holding out to them the candy of material abundance; our educational efforts should instead be made on the high level of social philosophy and should appeal to the last and supreme values. We should impress upon people that one cannot deny freedom in the economic field and grant it in the remaining sectors of human activity, and we should summon the whole strength of logical argument and of experience to render this idea convincing.<sup>6</sup>

### ***Freedom for the Individual***

There is a reason, deeply grounded in moral principle, which explains the productive capacity of free enterprise. A planned, collective economy suffers from social disorder and poverty, ultimately because of the moral disorder at the heart of the system. Conversely, the individual creative capacity released by a free system provides the energies to enable the free individual and his society to prosper. Such creative capacity stems from the individual's freedom to chart his own

<sup>4</sup> *Topeka Journal*, March 4, 1967.

<sup>5</sup> "A Youth Corps for America?" THE FREEMAN, April, 1967.

<sup>6</sup> Wilhelm Röpke, "Education in Economic Liberty," *What is Conservatism?* (New York: Holt, Rinehart and Winston, 1964), p. 79.

destiny and choose his own course. A system which robs the individual of that capacity for self-determination is immoral because it removes the individual's right of moral choice, and uneconomic because it destroys the creative forces which produce prosperity. In short, freedom is a prerequisite of prosperity.

But even if freedom did not "work," even if it did not provide more material goods to more people than any other system ever devised, personal freedom would still necessarily remain man's highest goal.

The desire not to be impinged upon, to be left to oneself, has been a mark of high civilization both on the part of individuals and communities. The sense of privacy itself, of the area of personal relationships as something sacred in its own right, derives from a conception of freedom which [should it decline], . . . would mark the death of a civilization, of an entire moral outlook.<sup>7</sup>

### **Moral Norms**

In the final analysis, political theory, like economic theory, is a branch of moral philosophy. When successful, political theory is an application of proper moral norms to the area of political relations.

<sup>7</sup> Isaiah Berlin, *Two Concepts of Liberty* (London: Oxford University Press, 1958), p. 14.

Such moral norms hinge finally upon the power of the individual to make his own moral choices. Any system of economics or politics which infringes upon that range of moral choice beyond the point of establishing and enforcing a universal rule of law, protecting its citizens against aggression, becomes immoral in its departure from the individual framework within which all such choices must be made. To block the paths of action which a man has available to him and exert the power of the state to achieve a desired effect, no matter how benevolently intended such an effect is likely to be, is an assault upon the dignity of man as a freely choosing, moral agent.

Interferences with this dignity of man simultaneously stunt his moral and material growth. The ideal society was thus defined by Kant:

The greatest problem of the human race, to the solution of which it is compelled by nature, is the establishment of a civil society universally administering right according to law. It is only in a society which possesses the greatest liberty . . . with . . . the most exact determination and guarantee of the limits of [the] liberty [of each individual] in order that it may co-exist with the liberty of others — that the highest purpose of nature, which is the development of all her

**One . . . inviolable right for a just society . . .  
is the right to private property.**

capacities, can be attained in the case of mankind.<sup>8</sup>

Unless men are left free to pursue the path that they choose, the spontaneity, genius, mental energy, and above all, moral courage necessary for the progress of society and the development of the individual personality will be crushed by what Mill termed "collective mediocrity."

It is the civilizing capacity of freedom, for both the individual and his society, that Western man has labored so long to understand and achieve. Confronting this civilizing capacity of freedom, the centralization of power now bids fair to invert the process. In the words of Ortega y Gasset, writing in *The Revolt of the Masses*:

Civilization is nothing else than the attempt to reduce force to being the last resort . . . "Direct action" consists in inverting the order and proclaiming violence as the first resort, or strictly as the sole resort. It is the norm which proposes the annulment of all norms . . . It is the Magna Charta of barbarism.

How may this barbarism be turned aside and defeated in our

civilization? What are the prospects for a free society and how may it be achieved? From what philosophic roots must the counterrevolution of human freedom spring?

### **Justice**

Man's traditional definition of a just society has been a social order in which, as Friedrich Hayek wrote in his 1966 Mt. Pelerin lecture, "justice was conceived as something to be discovered by the efforts of judges or scholars and not as determined by the arbitrary will of any authority." In short, justice is an expression of a higher order than society, of a fixed and inviolable Natural Law which is to be *discovered*, not created by man. An order having origins higher than the state and society is a provider of inherent rights of the individual, rights to be inviolable in any society and any state, if justice is to be truly attained.

### **Private Property**

One such essential and inviolable right for a just society and for the freedom of the individual is the right to private property. Property is, in Richard Weaver's term, "the last metaphysical

<sup>8</sup> *Ibid.*, p. 38.

right." It is an area not subject to contention. The very *hisness* of property still suffices in our society as a barrier protecting the individual against the increasing pressures of the omnipotent state.

Private right defending noble preference is what we wish to make possible by insisting that not all shall be dependents of the state. Thoreau, finding his freedom at Walden Pond, could speak boldly against government without suffering economic excommunication. Walt Whitman, having become a hireling of government in Washington, discovered that unorthodox utterance, even in poetry, led to severance from income. Even political parties, driven from power by demagoguery, can subsist and work in the hope that return to reason will enable men of principle to make themselves felt again. Private property cannot without considerable perversion of present laws be taken from the dissenter. . . .

Nothing is more certain than that whatever has to court public favor for its support will sooner or later be prostituted to utilitarian ends. The educational institutions of the United States afford a striking demonstration of this truth. Virtually without exception, liberal education, that is to say, education centered about ideas and ideals, has fared best in those institutions which draw their income from private sources. . . . In state institutions, always at the mercy of elected bodies and of the public generally, and under obligation to show

practical fruits for their expenditure of money, the movement toward specialism and vocationalism has been irresistible. They have never been able to say that they will do what they will with their own because their own is not private. It seems fair to say that the opposite of the private is the prostitute.<sup>9</sup>

Opponents of governmental power all too often are prone to devote much of their time and energy to charge and countercharge among themselves. If the free society is to be reinstated, it would be well to remember that common ground does exist for the opponents of the collective ethic. The state's use of *coercion* is the sticking point. No matter what reformism may be intended, the use of coercive power is unjustified. One of the great bulwarks placing limits upon the use of coercion over the individual is the institution of private property, the "last metaphysical right" which serves as the rallying point for the advocates of a free society. In the words of Sir Henry Maine, writing in *Village Communities*, "Nobody is at liberty to attack private property and to say at the same time that he values civilization. The history of the two cannot be disentangled."

<sup>9</sup> Richard Weaver, *Ideas Have Consequences* (Chicago: University of Chicago, 1948), pp. 136-37.

Just as a man is free within himself because he possesses an immortal soul which is his own, he is free in relation to the world outside only if he has private property as the economic guarantee of human freedom. To erect a totalitarian system, it is thus necessary that both spirit and property be denied.

That is why the existence of God and private property are both denied simultaneously by Communism. If a man has no soul, he cannot allege that he has any relationships with anyone outside the state. If he has no property, he is dependent upon the state even for his physical existence. Therefore, the denial of God and the denial of freedom are both conditions of slavery.<sup>10</sup>

### **Self-Responsibility**

Just as private property calls for the exercise of responsibility in its procurement and its maintenance, man's inner claim to freedom, his immortal soul, also demands responsible behavior of the individual. Thus, in both the outward and inward manifestations of human freedom, the same precondition exists: self-responsibility.

In the modern erosion of values that has occurred, man has increasingly lost the concept of self

upon which the individual could predicate his self-respect. If man is no longer the possessor of an immortal soul, the power and responsibility to choose his own course of conduct are no longer available to him. The traditional barriers to the exercise of power over the individual are thus discarded. Natural Law is assumed to be no longer valid. The conduct of man's political and economic affairs is thus severed from a higher ethical standard, making morality what the state deems "moral." Removal of an ethical yardstick against which the actions of ruler and ruled alike must be judged does not free the individual from his self-responsibility, but it substitutes centralized political authority and "group morality" in such a way as to delude each of us concerning his own ultimate responsibility for his individual actions. This distortion undercuts the attempt of the individual to realize himself as a person.

Man alone among the creatures of this earth has the rational capacity for self-transcendence, the quality of mind necessary to stand outside himself and view his own conduct in relation to the world around him. An individual no longer able freely to order his actions, in terms of the insight gained in that self-transcendence, is no longer a free man. It is this

<sup>10</sup> Bishop Fulton J. Sheen, "The Ideological Fallacies of Communism," House Committee on Un-American Activities, Sept. 4, 1957.

view of man as an individual in possession of a God-given soul, rather than a mere creature of society, that is epitomized in Paul's assertion in his second letter to the Corinthians, "Where the Spirit of the Lord is, there is liberty."

How may such liberty be exercised? If man is truly capable of freedom's exercise, what are the implications for his social order?

The proposal to keep political power so decentralized that it cannot escape the vigilance of social power rests its case on the assumption that the highest value in man's hierarchy is freedom. Does he put it above all other desires? Even material satisfactions? If so, what does he mean by freedom? The definition that quickly suggests itself is "absence of restraint." The lone frontiersman had plenty of that kind of freedom and found it wanting; he was quite willing to part with some of it in exchange for the higher wages that came from cooperation with others. But cooperation entails an obligation, that of shaping one's behavior to the wishes of others, of considering public opinion both in one's occupation and in one's deportment. So then, freedom in Society is not the absence of restraints, but the management of one's affairs by a code of self-governance. The price of the benefits of cooperation is self-restraint.<sup>11</sup>

<sup>11</sup> Frank Chodorov, *The Rise and Fall of Society* (New York: Devin-Adair, 1959), pp. 163-64.

Man is only ready for freedom to the extent that he is willing to check his appetite, to demonstrate a stronger love of justice than of immediate gain. As Edmund Burke has suggested, the less restraint exercised within each individual in this regard, the more restraint must be exercised by the society in which the individual lives. If men are to stay truly free, they must have the capability of self-restraint.

### **A Truly Moral Society**

Only such a society composed of individuals exercising self-restraint could be a truly moral society. If the restraints necessary to maintain justice and equity come from outside the individual, the free choice necessary for individual moral decision will not be present. Thus, a collectively enforced morality is divorced from the roots of all meaningful moral action. It should not be surprising, in view of this fact, that the collective society becomes immoral in practice. Each time that centralized authority is exercised to coerce ethical choice, the capacity for making such an ethical choice is further eroded in the individual who has been coerced.

Edmund Burke's assertion that "there never was for any length of time corrupt representation of a virtuous people. . ." is the state-

**The free society is the society in which each individual voluntarily says, "I am my own responsibility."**

ment of a painfully obvious truth. If the individuals composing a society cannot make their own ethical choices, morality being a matter of individual conscience and free choice, then what possible hope can there be that collective political power can do the job? The attempt to shift individual responsibility to a collective ethic corrupts the action of the state by divorcing it from the individual moral action of free choice and conscience. At the same time, the individuals who are stripped of their capacity for moral choice are further weakened and corrupted through the atrophy of will which stems from their loss of free choice. Ruler and ruled alike are corrupted in the process.

### **Power Breeds Weakness**

So long as government is viewed as an agency through which virtue and happiness for the individual may be attained, so long as governments are viewed as causes rather than effects, so long as individuals believe that self-responsibility may be escaped through retreat to the collective ethic, power will be rampant in

our society. As the state grows more and more powerful, the individual citizen will tend to grow weaker and weaker. Paul Poirot's paraphrase is quite as true as Lord Acton's original dictum, "Weakness tends to corrupt and absolute weakness corrupts absolutely." The double standard of morality which allows a person to endorse collective action which he would not perform as an individual is perhaps the greatest corruption of all since, in the words of Edmund Burke, "the number engaged in crimes, instead of turning them into laudable acts, only augments the quantity and intensity of the guilt."

Human freedom is not the power to do whatever we like, but is the privilege of being able to do as we ought. The free society is the society in which each individual voluntarily says, "I am my own responsibility."

### **"Positive Action"**

The modern collectivist tends to view the society around him as an accumulation of "various problems" which must be "solved." Usually such "solutions" involve

the coercive exercise of centralized power. Unless man is to achieve a heaven on earth, we have no reason to suppose that all human shortcomings are capable of solution. In fact, to assume that such perfection could be achieved is precisely the sort of thinking which removes God from philosophy, substituting man as "the measure of all things." Numerous problems doubtless exist, however, which freely working human creativity can solve if the individual, voluntary, institutional well-springs of human progress are allowed to flow.

It is sometimes suggested that the libertarian/conservative is "against progress" or unconcerned with the hardships of others. In actuality, of course, all men of good will share the same goals of peace and prosperity. The difference between the collectivist and the anticollectivist mentality at the present moment in history is based on two libertarian assumptions: (1) Freedom is the best problem-solving device; (2) The largest "problem area" of our time is the tremendous concentration of power, with all of its corrupting influences upon our society, that has occurred as a direct result of the collective ethic. Thus, the collective mentality is not a problem-solving device but instead is our principal problem!

Those who would plan all social action are confronted with the unpredictability of human action. Because of this unpredictability, such planning does not work in practice. More important, such planning interferes with the growth of creative capacity which can only be achieved by the free individual.

There can be little doubt that man owes some of his greatest successes in the past to the fact that he has *not* been able to control social life. His continued advance may well depend on his deliberately refraining from exercising controls which are now in his power. In the past, the spontaneous forces of growth, however much restricted, could usually still assert themselves against the organized coercion of the state. With the technological means of control now at the disposal of government it is not certain that such assertion is still possible; at any rate, it may soon become impossible. We are not far from the point where the deliberately organized forces of society may destroy those spontaneous forces which have made advance possible.<sup>12</sup>

### **A Negative Approach**

Those who oppose further state intervention in our society are branded as having only a negative program since specific "plans" and

<sup>12</sup> F. A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960), p. 38.

"solutions" rarely are offered in rebuttal to the collectivist approach. But it is this very unplanned quality of human freedom and creativity which is the ultimate problem-solving device. New problems exist in our society? Then strike off the stultifying controls emanating from the coercive exercise of centralized power, leaving men free to deal with these problems (problems which, incidentally, in large part have their origins in the very exercise of coercive power which was originally exercised in the name of solving some other "problem").

The choice is clear. If all the areas of individual creativity were pre-empted by the planned, collective society, our society would face extinction. As the cartoonist suggested when he depicted one Russian bureaucrat speaking to another, "When all the world is communist, where will we get wheat?" Where, indeed, will the stuff of life be produced if the dead hand of centralized control ever perfects its grip upon our society?

It is often admitted by advocates of the planned society that freedom does produce material gains. The complaint then leveled against the free society is that these material gains go only to those most able to produce, leaving the poor and the underprivileged

at the mercy of "exploitation." Yet, it is in the voluntary and benevolent actions of a free society that the individual citizen is most capable of helping himself and most readily helped by others. It is the repressive effect of the centralized state to curtail production and block the paths to self-improvement for those most in need. Not only is Peter discouraged from production when he is robbed to pay Paul, but, in the bargain, Paul is made the perpetual ward of the state.

#### **Authority and Power**

In reality, it is not the libertarian who is negative in his outlook. Rather, it is the modern collectivist who has lost faith in the people to pursue their own affairs without coercion, control, and constant detailed direction. How, then, may this corrupted and corrupting centralized power be checked in our society?

Somehow, Authority and Power must be separated. Medieval man understood that Authority ultimately was God, while Power was only a secular device. It is this distinction that modern politics fails to make. Thus divorced from a proper view of human nature and the human situation, the idea of "man as God" and the accompanying spread of coercive power have grown steadily. Coercion, be-

ing negative in effect, has caused some men to oppose it.

But when man talks only about "freedom from coercion," and does not relate this to a *total* integrated view of human nature, he remains at the mercy of coercionists. The coercionist has the plausible argument at his disposal that freedom works in the abstract realm of theory, but that certain immediate goals can be reached by some "beneficent" coercion. The anticollectivist who sees *only* "freedom from" finds no argument to carry the discussion from such short-range goals to the long-range view of human existence in its totality. "Freedom from," as a means of achieving what the human spirit can do, once free, is perfectly correct, yet unpersuasive until it is

used in pursuit of the *long-term goal of human existence, self-transcendence of the individual spirit.*

Just as the coercionist remains trapped on the short-term level in economics, doomed to repeat his basic mistake again and again, the thinker who sees no greater goal than "freedom from" will also remain trapped on the short-term level, doomed to carry on his endless arguments about means with the coercionist; he can only escape when he moves beyond the reach of the coercionist (where force can *never* go) to recognize the necessity for individual self-transcendence.

To limit power, man must recognize a source of authority above men: God. ♦

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## World-Wide Inflation

IT IS not only the United States that is troubled by inflation. The disease is world-wide. And it grows more virulent, not less.

This is made clear in a table just published by the First National City Bank of New York showing the currency depreciation in 45 countries, last year and over the last 10 years, as measured by cost-of-living indices.

The value of money declined faster last year than in the decade as a whole in 29 of the 45 countries. For the 1956-66 period, the median rate of depreciation of money in the 45 countries was 3.4 per cent a year, which means a loss of almost a third of the purchasing power of the currency in the full 10 years.

The American dollar lost 2.8 per cent of its purchasing power in 1966. This was a greater depreciation than occurred in many small

or relatively impoverished nations, such as Guatemala, Honduras, Austria, and Nationalist China. Iran's currency actually showed a slight appreciation, the only one to do so.

This shows that neither small size nor national poverty necessarily prevents a strong currency any more than great size or national wealth assures one.

Most of the worst currency depreciations in 1966 occurred in South America — 18.6 per cent in Chile, 24.2 per cent in the Argentine, 31.8 per cent in Brazil.

The very worst depreciation reported for the year — 38.6 per cent — was in Vietnam. The City Bank by implication attributes this inflation to a food shortage, especially the "rice panic." Yet the main explanation for the sharply lower purchasing power of Vietnam's money unit was the same as everywhere else: the government printed too much money.

In late 1965 and early 1966 the exchange rate of the Vietnam piastre was practically cut in half, from 60 to the dollar to 118. The quantity of piastres was increased from 27 billion in 1964 to 48 billion in 1965 and then to 65 billion in 1966.

At the end of 1966 the U.S. dollar bought only 84 per cent as much as it bought 10 years before. On the same 10-year basis of comparison Belgium's currency bought only 80 per cent as much, West Germany's 79, Switzerland's 78, Britain's 74, Italy's 72, Holland's 71, Sweden's 68, Japan's 66, France's 62, India's 57, Spain's 49, Chile's 10, Argentina's 6, and Brazil's only 2 per cent as much.

There were a hundred alibis for this depreciation, a separate set for each country, but the real reason was everywhere the same: the government printed too much money.

Sometimes the excuse has been a "scarcity of goods." This excuse shows no correlation with what happened. Guatemala certainly has a relative scarcity of goods, but its

currency has not depreciated at all in the last 10 years. In other countries the index of production has been soaring, yet the currency unit continues to buy less.

"War" is a favorite alibi for inflation, but the worst inflations in the last two decades have been in countries, as in South America, that have not been at war.

The truth is that inflation is always an act of government. It is a consequence of printing too much money.

Governments usually print the extra money because they spend more than they take in. And they spend more than they tax and try to live beyond their means because they are entranced by the vision of the welfare state.

This policy bears other seductive names — Expansionism, Growth, Planning, and, in the United States successively, the New Deal, the Fair Deal, the New Frontier, the Great Society. But it always means inflation, depreciating money, a further drift toward monetary chaos. ♦

**EDITOR'S NOTE:** For a classic history of inflation during the French Revolution with vital lessons for our time, see Andrew Dickson White's **Fiat Money Inflation in France**, with foreword by Henry Hazlitt. Available from the Foundation for Economic Education, Irvington-on-Hudson, New York 10533. \$1.25 paper; \$2.00 cloth.



AMERICANS have been alerted against an undefined "communism." But many have not been alerted against the specific measures which, taken together, *are* communism. So, unknowingly, they accept the heart of the communist doctrine, which is the enhancement of centralized state power at the expense of the natural rights of the individual; the right to life, the right to liberty, and the right to acquire, own, enjoy, and freely dispose of one's honestly accumulated property.

Like most Americans, I began by hating Russian communism because it is an evil thing which wars against the best in human nature. Its followers invented a new code of morality which elevates lying, murder, and treason

into primary virtues, whenever these are thought to further their goals. They would deny our religion, trample on our political liberties, and put our economic activities in a strait jacket. They would stratify society into an elite of brutality riding herd on the rest of us. History shows that wherever communists achieve power they institute secret police, slave labor camps, and despotic control of every phase of human life.

Recently, I undertook a study of the *Communist Manifesto* of 1848, to determine whether these evil practices are an integral part of their basic creed. That study led to two important discoveries: first, that the cruel methods and despotic practices of communism are essential to make their system function; and second, that there is a remarkable parallel be-

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From Admiral Moreell's acceptance speech for the Freedom Award of the Order of Lafayette, Washington, D. C., May 27, 1967.

tween the ten planks of the Manifesto and the things *we have been doing to ourselves* during the past half century! From my studies, I concluded that since Marx expounded his doctrine 119 years ago, we Americans have adopted, in some degree, every plank of his platform; and this process has accelerated markedly in recent decades!

Communism with a "made in Moscow" label is not popular in America. It doesn't need to be, if only we can be induced to accept Marxism under some other label. This we are now doing. Similar things have happened before as the great churchman, Dean Inge, warned us:

History seems to show that the powers of evil have won their greatest triumphs by capturing the organizations which were formed to defeat them, and that, when the devil has thus changed the contents of the bottles, he never alters the labels. The fort may have been captured by the enemy but it still flies the flag of its defenders.

We Americans have been running away from the spirit and principles of our own Revolution in order to embrace an alien program saturated with Marxism. We are under the delusion that there is some safe middle ground between the idea of freedom, on the

one side, and communism on the other. But the danger of the "middle-of-the-road" position, as former President Hoover once remarked to me, is that "you get hit by the traffic in both directions." If we are really opposed to Marxism, there is only one place to take a stand and that is with freedom, which makes no compromise with communism, however it may be disguised!

The great political scientist, Wilhelm Roepke, architect of the economic renaissance of West Germany, stated:

We should stand for a free economic order even if it implied material sacrifice and even if socialism gave the certain prospect of material increase. It is our undeserved luck that the exact opposite is true. More important, the free economic order is indispensable as the prerequisite of liberty, human dignity, free choice, and justice. That is why we want it, and no price would be too high for it, even if the communists would make bigger and better washing machines.

### ***A National Tragedy***

It is tragic that we Americans are so divided on this issue. Many of us have failed to weigh the philosopher's question, "If men use their liberty in such a way as to surrender their liberty, are they thereafter any the less slaves?"

We have casually surrendered liberty in the economic sphere, forgetting the old adage, "Whoso controls our subsistence controls us."

"Economic control," said the economist Hayek, "is not merely control of a sector of human life which can be separated from the rest; it is control of the means for all our ends."

Slavery is commonly thought of as ownership of one man by another. But no slaveholder would quibble about owning the man if he can own the products of the man's labor. A slave is a person to whom economic freedom is denied. From this premise, the denial of all other freedoms follows.

The total tax "take" by all levels of government is now in excess of 40 per cent of the national earned income! This is a valid measure of the erosion of our freedoms.

If the increasing power of the centralized state does not frighten us, then we get our ulcers from some of its by-products: corruption in high places, the growing crime rate, juvenile delinquency, indifference to our time-tested spiritual, moral, and cultural values, oppressive taxation, and a succession of foreign crises from each of which America emerges bearing the onus of another "defeat by appeasement."

It is pertinent to recall the

prophecy of the great English statesman, Macaulay, in 1857. Addressing himself to America, he said:

Either some Caesar or Napoleon will seize the reins of government with a strong hand, or your Republic will be as fearfully plundered and laid waste by barbarians in the twentieth century as the Roman Empire was in the fifth—with this difference, that the Huns and Vandals who ravaged the Roman Empire came from without, while your Huns and Vandals will have been engendered within your own country and by your own institutions.

#### **Recovery of Moral Values**

Is there a way ahead which will take us out of this morass? Is there a way to recover the sanity and balance which once marked our life? I believe there is. But it is not by means of political legerdemain. It has been pointed out by Dr. Ralph Hutchison, former President of Lafayette College:

Our common ideal is that these laws of God, these rights of man, these responsibilities of the individual to the social order should be preached and taught, but not otherwise forced upon the minds and consciences of the human race. "Go ye into all the world and teach all nations," was the last command of the Master. To force men into ways of righteousness by police powers, to legislate them into social progress by laws, to brain-

wash them from their evil ways, to torture men to the confessional, to hypnotize the social order with mass psychiatry, to terrorize them into discipline, was never the Creed of Spiritual America. Education by conviction has been our ideal. The teaching, persuading mission, we believe, is the way of social reform.

I do not imply that there are no problems peculiar to the economic and political levels. But if men are not right at the deeper level, in their understanding of the nature of the Universe and man's position therein, they can tinker with economic and political problems from now until doomsday and still come up with the wrong answers.

It is a case of putting first things first, and the very first

thing is a rehabilitation of those spiritual values which are basic to the American dream.

"The God who gave us life," Jefferson observed, "gave us liberty at the same time."

We cannot defeat the forces of evil if we feel compelled to adopt their practices even though this be done gradually, in increments too small to arouse suspicion.

The final battle will be fought in the arena of spiritual realities. The forces of self-disciplined, morally responsible individualism will be arrayed against those of atheistic, coercive collectivism. It is my prayer that, in this Armageddon, *Americans will be found fighting on the side of a just and merciful God.* ♦

#### IDEAS ON LIBERTY

### *Human Resources*

BUREAUCRATS speak of developing "human resources" as if the abilities of human beings were the property of the state. The state, however, is the creature of human beings and exists for the convenience of man, not man for the state. Rather, man is the creature for which everything else is a resource. As the Scripture says, "Thou hast put all things under his feet. . . ." (Psalm 8:6)

JAMES C. PATRICK  
Decatur, Illinois

## THE FRUIT OF COMMUNISM:

# SOCIALISTIC REDISTRIBUTION

FRANCIS E. MAHAFFY

THE COMMUNIST REVOLUTION is spreading apace over Asia, Africa, South America, the Middle East, and even our own land. This has stimulated effective oratory and well-documented books aimed at alerting our citizenry to the godlessness of the philosophy and the bloodiness of the revolution at the core of communism.

Sometimes, however, those who denounce the violence of the communist revolution support the economic aims of the communists in the redistribution of the wealth by the power of the state and thus give aid and comfort to the enemy they are combating. Others — including an increasing number of

influential clergymen — recognize that the economic aims of socialism cannot be attained apart from violence and so join in advocating the bloody revolution.

Profound scholars have clearly pointed out the economic fallacies and follies of socialism but their works have been neglected. Too few see the relationship between the philosophy of the communists and their economic goals. Few also recognize the fact that these economic ends demand a philosophy of violence in order to attain them. The communist threat to our civilization makes it imperative that we deal both with the underlying philosophy of communism and also with its economic end of redistribution. Only thus may we be prepared to offer a

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viable alternative to communism.

Confusion exists as to precisely what communism is and how it differs from socialism. Karl Marx, *the father of socialism*, designated his views "scientific socialism." "Communism" was originally used to describe the utopian state reached after the economic factors of production had so changed man and his environment that classes and conflict no longer existed, the state had withered away, and men lived in harmony on earth. This was to be the final synthesis arising out of the conflict between the capitalists and the working class. Socialism, which involved an absolute dictatorship, the dictatorship of the proletariat, was to be a temporary and intermediary stage which would lead to full communism. Communism in this sense has never existed and never will.

Marx and others, however, also spoke of their revolutionary movement to effect socialism as communism. Communism today refers essentially to the Marxist ideology and may be described as a means of inaugurating socialism. All communists are socialists. Communist Russia is designated, "The Union of Soviet Socialist Republics." On the other hand, not all socialists are communists. In fact, many socialists vigorously repudiate the open violence of the com-

munists. Also, communists generally reject such socialists as not true Marxists. Both, however, agree in supporting the main end of socialization of the means of production. Both want to abolish (though there are degrees of thoroughness of this abolition) private property, and substitute for it state ownership in the means of production.

Karl Marx, however, reached his conclusions on the basis of a specific philosophical position. This basic philosophy has become the driving force behind communism. Some reject this atheistic, dialectical philosophy and yet support socialism for other reasons; even some Christians claim that it is a system in accord with the Word of God. Basically, the economic ends of communism and socialism are identical, though the underlying philosophies may differ.

#### ***The "Scientific Socialism" of Marx***

Karl Marx was an atheist before he was a communist. He said, "Religion is the opium of the people. I hate all gods." The idea of God and all religion was for him the result of the attempt of people to compensate for their own defects and weaknesses. This atheism of its founder constitutes an integral part of the communist teaching. In communist lands there is a systematic attempt to stamp out all

religion, especially Christianity. At particular times it may suit their ends to let up temporarily on their persecution, but even that is toward the end of weakening its defenses and promoting its final destruction. Atheism is taught in the government schools; other schools are prohibited or drastically restricted. The church is tolerated or subverted and used to advance the ends of communism. Because communism is militantly atheistic, there can never be a *modus vivendi* between Christianity and communism for they are two hostile religions. While Christians tolerate atheists and consider it their duty to seek their conversion to Christianity, the communists seek the utter destruction of Christianity.

This blatant atheism of the communists helps explain the violence of their activities. There is no God to whom they consider themselves responsible, no divinely given moral code or law as the norm for acceptable ethical conduct; whatever promotes the ends of the communist cause is moral. This rejection of Christian morality and all God-given standards accounts for the fact that one cannot deal with a communist or a communist nation as he would with a person or nation where God is feared. When the nations learn this important truth, there will

be fewer unholy alliances with such godless powers.

### ***Dialectical Materialism***

Karl Marx also based his socialistic views on dialectical materialism. Unlike the philosopher, Hegel, who was an idealist and advocated a spiritual monism, holding that reality was spiritual in nature, Marx held to a dialectical materialism, contending that reality was material. Hegel taught that God reveals himself in history in a dialectical process. One historical movement constitutes the thesis which gives rise to its conflicting antithesis. Out of this conflict emerges the synthesis which takes that which was valuable in the thesis and antithesis and forms a higher stage of the manifestation of the Absolute. Marx adopted a dialectic explanation of history but held that the thesis, its antithesis, and the synthesis which arose from their conflict were the result of material economic factors. The culmination of history for Marx and the communists would be the result of the antithesis between the capitalists and the workers which would erupt in a violent bloody revolution which would in turn usher in the synthesis of socialism. This dialectic underlies all their thinking.

Dialectical materialism, in its

denial of God and assertion that all is matter, in reality sets up an idol god. Man is the highest form of matter and the communist state the highest expression of his material brain. Thus, God is replaced by the state. This state becomes the recipient of the honor of the citizens and the absolute master of their lives, though there is no logical reason whatsoever why the dictator and his cohorts who constitute the state should be a higher manifestation of matter than any individual within that state. This state grants to the individual slaves under its rule the right to live. It controls all property and parcels it out according to its own whims. Thus, the state becomes the father and God to the subject. It is not a crime in Russia or Red China for the state to slaughter millions of people who are deemed to interfere with the progress to socialism. The state becomes God. Atheistic communism is in a real sense a religion, albeit the diabolical religion of state worship.

### **Economic Determinism**

Closely related to dialectical materialism is the doctrine of economic determinism advocated by Marx. Man's life, his thoughts, his class, and even his religion are determined by his economic environment. Such a concept logi-

cally would destroy all responsibility. Without responsibility man is no longer man. Yet communism holds men responsible, not to God or to a divine law or norm, but to the Communist party and state. They have no right, however, on their own premises, to hold men whose thoughts and even religion are determined by their economic environment responsible to any other man whose thoughts and life are also economically determined.

The Marxian and communist philosophy is also characterized by a utopian idealism. There is no room in the system for this idealism, yet this is the end toward which the dialectical process relentlessly drives with the irresistible force of an inviolable logic. In this classless and conflictless society, human nature is so radically changed by the material factors of production that all is well. Marxian idealism pictures a material heaven on a material earth with men who are no more than matter living together in perfect peace and harmony. Yet, a heaven without God, without morality, and with no hope of anything but the dust at death is in reality a picture of hell.

The institution of the family on which our civilization has been built has no place in the communist society. This godless phi-

losophy denies all Christian morals, approves mass murders and the perversion of sex. Deceit, thefts, and blasphemies form a part of this vicious system. Surely, no Christian could for a moment support it! To describe it, and this description accords with the description of the communists themselves, is sufficient to condemn it. Communism is built on a philosophy antithetical to the principles upon which our civilization has been built. Should this philosophy prevail, that civilization cannot endure for long.

#### **Rejection of Moral Absolutes**

The economics of the welfare state socialists is not significantly diverse from that of Karl Marx. Whether consciously so or not, both spring from an underlying philosophy which denies moral absolutes. This philosophy may or may not be Marxian; in either case it substitutes for the Moral Law of the Creator a relativistic standard of man. When leading churchmen adopt the philosophy of violent revolution to attain their redistributionist ends, their underlying philosophy closely resembles that of Marx. Both reject the right to private property and thus the right to life.

Marx's tome, *Das Kapital*, deals with economics. Marx did not like the way he found wealth distrib-

uted and proposed the solution, "From each according to his ability; to each according to his need." The rationale for his objection to the distribution of property he found in his labor theory of value, surplus value, and exploitation by the capitalists of the working class. He contended that the value of a product was determined exclusively by the labor that went into it. The capitalist who hired the laborer, on the other hand, refused to pay him the full value of the product but retained "surplus value" for himself in the form of profits. Since the laborer was not getting his due from his employer, a conflict necessarily arose. The solution to this conflict, according to his dialectic, lay in the revolution of the exploited laboring class against the capitalists which would result in the dictatorship of the proletariat and the eventual communism of the classless society.

It has been clearly demonstrated (see Böhm-Bawerk's *Capital and Interest* and Ludwig von Mises' *Socialism*, as examples) that Marx's theory was erroneous. Marx made the serious mistake of failing to take into account the time element in production. What he demanded was the present value of a product which would not be finished until later. Also, he erred in his idea that labor was the sole

source of value. He selected his data to "prove" his case and ignored a vast amount of data that refuted it. Such biased selection and manipulation of data characterized much of his writings.

Once, in the midst of a blistering African desert on the backs of plodding camels, my co-worker and I came to the unhappy discovery that the guide we had hired for the trip had never previously seen that country. Uncertain of *when* or *if* we would reach a source of water, our meager supply suddenly increased in value. We would not have exchanged our jerry tin of water for the price of a camel. Value, contrary to Marx, does not reside in the object itself as the product of labor-hours but is subjective; it is what the prospective buyer or seller is willing under the particular circumstances to give up in exchange for the object.

### **Savings Benefit Laborers**

In the United States and other countries where between 85 and 90 cents of each dollar a product realizes goes to the laboring man who helped produce it, it can hardly be said that the laborer has been exploited. It is often ignorance of the percentage the laborer actually receives that leads to this conclusion. Besides that, much of the remainder goes to purchase better machines and to

build up the business which will result in cheaper products and more people employed. About \$20,000 has been invested to provide for each job in our land.

This is something radically different from the concept of exploitation condemned by Marx and the socialists. The reason wages are lower in many parts of the world is because there is a lack of capital invested to provide the tools for production on the farms and in the factories. This capital must come either from the savings of the people or from outside investment.

To have to depend solely on savings is a slow painful process accompanied by much suffering, long hours of work and low wages for a long time until sufficient capital is accumulated. This accounts for the suffering, child labor, and long hours of hard work in England in the early days of the Industrial Revolution. There was no other way at that time to transform an economy from a more primitive form to a more advanced industrial economy. This, and not exploitation, accounted for much of the suffering in those days.

The other method to hasten the transformation from a primitive to a more advanced industrial economy is by the investment of foreign capital. This, however, re-

quires honest and stable government, lack of oppressive taxes, a reasonable hope for profits along with the conviction that there will not be government expropriation of the factories or of the profits of the investors. The lack of such conditions largely accounts for the continued low standard of living in many parts of the world. Yet, communism and socialism prevent the formation of capital by their ideas of redistribution. The philosophy of socialism keeps the world in a state of poverty, war, and chaos.

#### ***Privilege Based on Coercion***

The end of communism and also of socialism is the redistribution of property by the coercive power of the state. The communists propose to effect this by violent revolution which aims at bringing the whole world under the iron heel of communism and reduces men to slaves of the dictator. The high concentration of power necessitated by the pursuit of this objective almost certainly and ironically precludes the attainment of this end; hence, communism in reality, by eliminating one class, substitutes for it a privileged class. This class attains its privilege, not on the basis of its merits or the will of the people, but by violence. Hence, the inevitable tyranny of communism.

The more moderate socialists reject such open violence but seek the same ends by more peaceful means. Yet, let it never be forgotten that the difference is only a matter of degree; there is no difference in principle.

The socialist program calls also for violence, though less naked violence than that of the communists. The communists annihilate the opposition; the socialists merely confiscate their property. Both lead, at different paces, to the absolute dictator, for the socialist redistribution cannot be effected apart from the dictator. Socialism requires that the distribution of the wealth be according to a single plan—one man's will. This can be effected only by force, or the threat of force, which is the same thing.

It is naive in the extreme to think that the economic control demanded by communism and socialism will not also include control of the lives of the people. Freedom of religion, travel, speech, and political freedom are inseparable from economic freedom. Control the economy, and you effectively control the lives of the citizens. Economic freedom means the freedom to seek to satisfy one's material needs. Economic activity consists essentially in the scaling of our wants to determine which ones have priority. This

scaling, however, is related always to our ultimate ends; hence, economic activity cannot be isolated from the spiritual realm.

The socialist control of the economy involves the control of man's basic freedom of religion and of expression. The press is controlled by the control of property such as buildings, type, and paper. Religion is controlled by regulating the use of church buildings, religious publications, transportation, and taxes. The pulpit and its message are controlled by economic restraints on those who oppose the communist ideology. Minds are directed by prohibiting the use of books not approved by the government, by making all education state education, and by providing lucrative jobs for those who follow the party line. The socialist state, as Great Britain discovered, in order to effect socialism has also to control labor. Workers are not permitted freely to move or to change jobs. Even today, advertisements in British publications are restricted in order to prevent highly trained men from leaving British soil for more lucrative employment abroad.

Once you give to the state the ownership of the means of production, as socialism demands, you have given it the power which if fully exercised will result in complete control of the lives of the

people. The communists recognize this and openly advocate the absolute dictator. Socialists try to avoid the implications of their position; they strive for economic control while retaining a semblance of religious and other freedom. The logic of this position, however, inevitably leads the followers of both camps down the same road to slavery; except that the communists arrive there sooner than the socialists. Their early arrival makes it easier for them to eliminate the socialists and others who refuse to accept the full implications of the communist position.

#### *A Distortion of Justice*

The stated end of socialism of the communist and noncommunist types is the increased welfare of the people through forceful redistribution of the wealth by government. The means chosen to effect this end, entirely apart from the obvious moral issues involved, are incapable of effecting the desired goal. It is as though a tribal chief from Africa should set out by mule to reach New York. His intentions might well be the very best; the fact would remain, however, that the method chosen to achieve his end was inappropriate.

The confiscation and redistribution of property in socialism can never effect improvement in the

general well-being of the masses, as has been amply demonstrated wherever socialism has been tried. Socialist states exist today because their bankrupt economies are bolstered by the largess of the capitalist countries. Eliminate that aid, and socialism will die. It will either be replaced by a freer society or revert to primitivism and starvation.

The socialism of Russia and of the welfare states involves coercive redistribution and thus necessitates the imposition of the will of one man upon another. The rule of law is replaced by the rule of man. Right becomes what the leaders or rulers in the state judge to be the proper distribution. This is a radical perversion of a justice which regards all men alike under the law. Just as it is theft for the individual to steal, so it is theft for the state to redistribute. Justice is blind. It has no respect to the person, wealth, position, race, sex, or learning of the individual. Perversions of this Christian concept of justice lead to advocacy of socialism. Socialism by its nature,

denies the validity of such a concept of justice and substitutes for it the rule of the strong man who defines right and wrong by his own concept of who ought to receive what. Socialism, in its efforts to make men economically more equal, must treat them unequally, taking from some to give to others. It is acceptance of this distortion of justice which leads to the moral decay and increasing violence in the world. Those who support socialism thereby contribute to the rotting of the moral fiber of our nation.

Not only is it necessary to reject the underlying godless philosophy of communism; it is just as imperative that we reject the economic principles of socialism. Both deny the right of the Creator to set the norms of conduct in his creation. Marxism is characterized by a professed atheism; socialism by a practical atheism. Those who adopt the redistributionist principles of socialism have thereby forfeited their right to condemn the philosophy of violence of the communists. ♦

#### IDEAS ON LIBERTY

### *False Freedom*

THERE is an important difference between having freedom and having "free" goods and services. Whenever goods and services are "free," the people aren't. The government which gives goods and services for nothing must force people to work for nothing.

J. KESNER KAHN

## STALEMATE IN KINGSFORT

SYLVESTER PETRO is a teacher who knows the ins and outs of labor law, and he has written many first-rate books and articles about the place of unions in a free society. But, as he says, most of his earlier work could have been done in a study and a law library. His latest book, *The Kingsport Strike* (Arlington House, \$5.00), represents a "new Petro," for much of it consists of material gathered on the spot in the Appalachian town of Kingsport, Tennessee, either on the picket lines of the five unions which have been striking the Kingsport Press since 1963, or in union halls, restaurants, homes, or the offices of executives. What we have here is Petro, the reporter (and a very good one), in addition to Petro, the legal philosopher.

Petro has tackled this particular job of reporting with a mind singularly free of clichés. Although it was apparent to him almost from the start that it was a particularly stupid strike, he approached the strikers as human beings who have the normal human attribute of pride, which can

make people persist in ineffectual action for the noblest of motives. In the same even-handed way he resisted categorizing workers who decided to go back to the shop and who crossed the picket lines, or who took the jobs of last-ditch strikers, as "scabs" or "rats." He capped all this by putting the hardest of questions to the Kingsport Press management, and to those among the national officers of the five unions who were willing to talk with him. The book grows out of recorded conversations and eye-witness descriptions. So direct and circumstantial is Petro in his reporting that the reader must believe him when he says, in conclusion, that the Kingsport strike was a vast mistake which a majority of the workers at the press did not desire. It has been kept going by the national leadership of the printing trades unions for reasons which have very little to do with local desires in the Kingsport, Tennessee, area, which happens to be an island of comparative affluence in a mountain region which qualifies generally as a depressed area.

**Acting Without the Facts**

What were the reasons given for the strike in the first place? Petro talked with Jack Rhoten, a pressman who was still out in 1965, two years after the strike had been called. Jack had been making at least \$10,000 a year in top day-shift pay, overtime, fringe benefits, and the profit-sharing plan. He had listened to some of the men who were upset over promotions, but he himself had no gripes at all. He loved his work, and to the very end he was convinced that there would be no strike. He explains the 500-to-30 strike vote as one that was "intended only to give the union a firmer bargaining position." Petro's suspicion is that Jack Rhoten was among the thirty who opposed giving the leadership a blank check, though he never could bring himself to ask Rhoten how he had voted. Jack Rhoten despises those who agitated vehemently for the strike before it started and then went back to work, but he does not resent the return to work of those who never wanted the strike in the first place. Petro surmises that Jack has stayed out himself because he shrinks from "the sustained act of living as a 'scab' in a community in which a large proportion of his acquaintances either stood on the picket line or had family members there." In

other words, Jack Rhoten is trapped by an attitude that dates back to an era in which unions were few and weak and needed to cultivate the idea that, like a nation, they were entitled to loyalty no matter what they did.

Charlie Heffner, the former professional ball player, would never have complained over money any more than Jack Rhoten. But he had listened to union leaders who were spreading the rumor that the company was going to try to strip the older men of benefits acquired through seniority. Charlie had been working nights for thirteen years, and he was in line for a steady day job. So, out of fear and anger over the prospect of losing seniority, he went out on strike "full of conviction." He was one of the noisiest among the pickets, bolstering morale "like a shortstop keeping the chatter going to raise his own and others' spirits."

To augment his strike benefits he did a good deal of baseball umpiring, going as far afield as Allentown, Pennsylvania. One day an old high school friend in Allentown who ran a print shop asked Charlie what he had been making in Kingsport. When Charlie said that he often made \$11,000 a year, and when he explained about the profit-sharing plan, the friend said, "What the hell are you

striking about?" "That," said Charlie, "shook me up." He was even more shaken — in fact, he was virtually torn loose from his union moorings — when he found out that at the very time when the union leaders were telling him that he was in danger of losing seniority privileges, the president of the Pressmen's Union and the management of the Kingsport Press had already jointly initialed a new seniority agreement. "I trusted them," said Charlie of his leaders, "and they lied to me." So Charlie, always a man to stand on his own feet, stopped picketing and, after much soul searching, went back to his job. Fraud, he argued, releases a man from any contract, even one with his union.

### **Outside Interference**

After many talks with the Jack Rhotens and the Charlie Heffners, and with Kingsport Press management people like Ed Triebe, the company president, and Cliff Fritschle, the vice-president for industrial relations, Petro was convinced that local conditions were not enough to justify the strike. There had obviously been some failure of communication between management and the workers in the shop. And there was the conviction of Anthony J. DeAndrade, the national president of the Pressmen's Union, that the Kings-

port Press represented unfair competition to firms in New York City and elsewhere in the North, which, supposedly, had higher labor costs.

As to the failure of communications, Petro comments on this in his concluding chapters. The great General Electric Company, following the policy of its famous vice-president, Lemuel Boulware, had long had an effective employee-communications program. But "Boulwarism" ran afoul of a deplorable ruling by the National Labor Relations Board which accused GE of "unfair labor practices" in talking directly with workers. Direct communications, said the Labor Board, amounted to "bargaining with the union through the employees" rather than "with the employees through the union."

Congress, of course, had never intended to trample on an employer's right of free speech (it had only forbidden threats and promises), but the obvious NLRB infringement of the First Amendment to the Constitution is, ridiculously, the law and will remain the law until it is reversed by a court of appeals. The point, insofar as the Kingsport Press management's failure to explain things to the men in the shop goes, is that if Cliff Fritschle, the Kingsport vice-president for industrial relations, had adapted "Boulwarism" to local

Tennessee conditions, he would have been guilty of "unfair labor practice."

### **Wage Rates Were Competitive**

As for the Pressmen's Union President Anthony DeAndrade's contention that the Kingsport Press must be struck in order to bring local labor costs into line with those in other sections of the country, it turns out that "DeAndrade just didn't do his homework." Petro discovered that Kingsport Press wage rates were higher, at the time of the strike's beginnings in 1963, than rates paid by similar plants in Bay City, Michigan, Brockton, Massachusetts, Cedar Rapids, Iowa, Reading, Pennsylvania, and many other towns and cities both north and south of the Mason-Dixon Line. The "pure wage rates" paid to printing trades workers in New York, Detroit, and San Francisco were higher than the Kingsport rates, but in San Francisco, for instance, both day shift hours and overtime were so limited that the weekly take-home pay of a San Francisco pressman was less than the total pay of many pressmen in Kingsport. The contention that "low Kingsport wages" menaced New York printers falls to the ground when we discover that total labor costs in Kingsport were on the high side, and that there were

many other cities, all larger than Kingsport, with lower wage rates, some very much lower.

Hindsight, says Petro, establishes "that the strike should never have been called in the first place, and that the longer it went on the stupider it became." But, with the NLRB to back them up, union leaders persist in stupid strikes because they know that, with government help, they can win. ♦

► THE SOCIOLOGICAL TRADITION by Robert A. Nisbet (New York: Basic Books, 1966), 349 pp., \$7.95

*Reviewed by Gary North*

IN 1953, Oxford University Press released Professor Nisbet's study, *The Quest for Community* (now titled *Community and Power*), a book which has become a classic in sociology and intellectual history. In it, Nisbet explored the effects of the Industrial Revolution and the French Revolution on European social and intellectual life. The loss of the sense of community, the disappearance of local ties, the collapse of traditional religious institutions, and the alienation found in modern urban life all combined to isolate the individual. The result, Nisbet argued, has been the quest for community which has given us modern radi-

cal movements like Marxism, Nazism, and mass democracy.

*The Sociological Tradition* returns to many of the same themes. Nisbet has selected the years 1830-1900, since he believes that the foundations of modern sociological theory were laid in this period. He takes five basic themes — community, status, authority, alienation, and the sacred — and examines the treatment given to each by the major sociologists of the time: Tocqueville, Marx, Durkheim, Simmel, and Weber. Where relevant, he also discusses the contributions of other thinkers, e.g., Fustel de Coulanges, Ferdinand Tönnies, Comte, and Le Play.

It is the author's thesis that great periods of intellectual creativity come during epochs in which a transition is made between two major cultures. Fifth century Athens would be one example, at least in the areas of philosophy and drama. Nisbet calls 1830-1900 a "minor golden age" which resulted from the collision of traditional European culture with the "two revolutions" — the industrial and the French. All three streams of nineteenth century thought — conservative, liberal, and radical — found their focus in the effects of modernism on the old Europe.

The book is a detailed study of

the writings of these early sociological thinkers, and as such it is enlightening and cogently organized. Beyond this survey, however, the reader is impressed with the profound changes that modernism has brought to Western culture, and the terrible problems that face us. How can we find a measure of freedom in a world which is experiencing the total bureaucratization described by Weber, or the expansion of egalitarian power which Tocqueville analyzed? How can modern men find meaning in a world so secularized that contemporary scholarship has rejected the quest for meaning as meaningless? How can society escape the "polar night of icy darkness and hardness" foreseen by Weber? Marx appealed to a total revolution which would bring social salvation through a regenerating chaos, yet even he ignored the vast problems which would confront the builders of a post-revolutionary world.

Nisbet does not attempt to answer these questions. But at least he has shown how these issues were handled by the founders of the sociological tradition, and how their various contributions have established the framework for twentieth century social science. While this book is more limited in scope and intent than *The Quest for Community*,

and therefore less likely to have a comparable impact in the academic community, it is nevertheless a useful and even eloquent study of the sociological issues which concerned nineteenth century thought. The same problems are with us today, intensified by time and compounded by the coming of totalitarianism. In societies that minimize men's immediate and personal responsibility, how can men retain personal freedom? In a society which scoffs at the search for meaning, what can one expect besides the continual quest for power? ♦

▶ **FREE MARKETS OR FAMINE.**

Edited by V. Orval Watts, Ph. D.  
(Midland, Mich.: The Pendell Co.,  
1967) 582 pp., fully indexed, \$9.50.

*Reviewed by Henry Hazlitt*

THIS IS a collection of 63 readings on economic subjects from 41 authorities. It contains articles on the Industrial Revolution by Ludwig von Mises, on automation by Yale Brozen, on property rights by Murray N. Rothbard, on monopoly by Hans F. Sennholz, on labor by Sylvester Petro, on urban renewal by Martin Anderson, on the TVA by Dean Russell, on the farm problem by Karl Brandt, on half a dozen subjects by Professor Watts himself.

Most of the second half of the volume is drawn from material published by The Foundation for Economic Education.

The editor's immediate purpose in preparing this volume was to provide supplementary readings for economic courses at Northwood Institute in Midland, Michigan. Let us hope it will be used in many more colleges. A comprehensive textbook on economic principles is indispensable; but a volume of this sort, by numerous authorities on special subjects, is hardly less so, not only to put flesh and blood on an abstract theoretical skeleton, but to supply the authoritative detailed information in a score of fields that no single writer today can hope to command.

It is an added virtue of Dr. Watts' anthology that the selections are not made with the aim of presenting "both sides," or "all shades of opinion," but for the purpose of promoting a true understanding of the principles of capitalism, of the workings of the free market, of the necessity for limiting government and preserving individual liberty. For the purpose of making this understanding comprehensive, many of the selections are studies of the dire results which coercive intervention, however well-intentioned, has produced in one place after another where men have tried it.

- ✓ The forcible taking of private property in the name of relieving poverty often injures most the very ones for whom help was intended .....p. 579
- ✓ Donald Warmbier goes back to John Stuart Mill for the lesson that control of property is the essence of ownership .....p. 591
- ✓ Vital to the practice of freedom through trade is the understanding that value depends upon the individual's choice .....p. 594
- ✓ Spelling out that subjective theory of value was the great contribution of Böhm-Bawerk of the "Austrian School," in his refutation of Karl Marx .....p. 597
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# The War on PROPERTY

PAUL L. POIBOT

THE RESULTS, after more than 30 years of Federal "war on poverty" in America, suggest that the campaign has failed. "Instead of temporary aid, relief has become a permanent way of life for millions. Second and third generations of families now live on relief."<sup>1</sup> Nor is it that the millions in this new class of poverty-stricken are simply destitute of the material manifestations of private property. Far worse; many have lost their self-respect and the respect of their fellow men; they have lost their human dignity. What can these persons claim as their own?

Respect for the dignity of an individual presumes him to be re-

sponsible for the development and use of his faculties, his qualities, his properties. The personal freedom of choice that is liberty depends upon self-control and possession or ownership in the form of private property. And consistent with this concept of human dignity and private property is the right of the individual to make his own mistakes, if he so chooses, and to abide by the consequences — to know the penalties of improper choice and action as well as the fruits of success.

"Property is desirable, is a positive good in the world," said Abraham Lincoln. "That some should be rich shows that others may become rich and hence is just encouragement to industry and en-

<sup>1</sup> *U. S. News & World Report*, July 17, 1967, p. 44.

terprise. Let not him who is houseless pull down the house of another, but let him work diligently to build one for himself, thus by example assuring that his own shall be safe from violence."

Lincoln understood that poverty is not to be overcome by warlike or compulsory measures, but by peaceful example. Not by pulling down the house of another, not by destroying another's life or character or estate, but by each man working diligently to build one for himself.

A property owner, of course, might be able to live upon his own resources. But few of us nowadays would be content with such a subsistence level of living. We have grown accustomed to the advantages of specialized production and peaceful exchange of goods and services. Such voluntary exchange also depends on private property. Every trader is a property owner and his own man. Something to offer is his ticket of admission to the market—his purchasing power.

#### ***For Property Owners Only***

This requirement for trade gives rise to a common complaint about the so-called tyranny of the market economy: that it tends to be exclusive—for property owners only. The fact that a buyer's purchasing power depends upon what

he has to offer is said to be undemocratic and unfair; it doesn't afford everyone everything he wants. Some even argue that "property is theft," in the belief that any accumulations of private property must have impoverished other people.

Such beliefs might have been justified under various conditions of the past—might be justified in some parts of the world today. A slave owner, for example, acquires and holds his slaves by force, and thus impoverishes them. Tribal wars for territory or other property leave the losers poorer to the extent of the victors' spoils. But in a trading society as we know it, property required for production and marketing can only be accumulated and retained by an owner insofar as he uses it as consumers want him to. Otherwise, he's out of business.

The complaint that not everyone can have everything he wants should be leveled, not against the market and the private ownership of property, but against the nature of things. The real world is characterized by unlimited human wants and limited means, not the other way round. Any realistic social system must consider not only the boundless appetites of consumers but also the conservation and efficient use of scarce resources.

Competition for property is the great moderator or regulator of temptations to abuse the privileges of private ownership.

Ours is not a world that affords abundance for consumption without productive effort or other thought for the source of supply. This is why it is important to understand the basic principles and practices of private ownership and control of scarce resources. These are essential features of any peaceful society.

#### **Regulated by Competition**

To say that a prosperous market economy depends upon respect for private property is the truth but not the whole truth. Private ownership and control, of itself, does not assure the most efficient use of scarce resources in service to others. That assurance comes as a result of competition. This is not to say that competitors are solely interested in pleasing customers. But catering to the wishes of customers is the surest and easiest way to have and to hold valuable, scarce items. The fact that two or more businessmen bid for possession and use of the same resource is the consumer's guarantee that it will be used efficiently to serve him. Consumers pay handsomely for efficient serv-

ice and thus determine who, among various competitors, is to own and control the means of production.

Competition for property is the great moderator or regulator of temptations to abuse the privileges of private ownership. Competition, of course, cannot force anyone to buy or sell at a price unacceptable to him. But competitors can make trading difficult for those who expect something for nothing. Competition is truly the life of trade — a powerful, peaceful influence for honest and efficient service by those who hope to own and control the use of property.

Nor is the moderating force of competition confined to the supplier side of the exchange process. Consumers also compete against one another for available supplies. The resultant level of market prices tempers appetites, rations scarce items, requires responsible performance by those who are to receive goods and services in exchange for their own. The market will no more serve consumers who demand something for nothing than it will tolerate the false ad-

vertising of fraudulent suppliers. So, competition is a form of peaceful "policing" of the market. It tends to keep buyers and sellers honest in their trading and efficient in their use of ever-scarce resources.

### **Voluntary or Compulsory**

Let it be clear that our discussion thus far pertains to the so-called "private sector" of the economy — the production, the saving and investment, the trading of goods and services, and the personal consumption practices that result from voluntary choices of buyers and sellers in open competition. And it bears repeating that the "private sector" market is a voluntary association of property owners for the purpose of trading to their mutual advantage. Admittance to the market is gained by having something to offer. True, such offerings constitute the means for the satisfaction of the wants of consumers. But the expressed wants of consumers do not necessarily constitute a market situation. A combination of consumers to satisfy their wants could very well be a den of thieves.

When the power of government is invoked to plunder property, in the name of war on poverty, any receiver of such loot must recognize that he possesses it at his own risk. The "human right" to

plunder is a denial of the right to own and control property. It simply proclaims that might makes right; and that's a rough game for the meek and weak. That is precisely how thieves operate: non-owners deciding how an owner may or may not use his property.

The more we observe and become involved in the government war on poverty, the clearer comes the message: *War against poverty is war against property, and war against property is war against the poor.*

### **Monetary Misunderstanding**

Much of the confusion about all this may be traced to the love of money, under the illusion that money as such is wealth. True, at a given moment, a quantity of money given to a poor person will enable him to buy goods and services otherwise beyond his reach. But his level of living depends upon the goods and services rather than the money. And redistributing the money supply does nothing as such to increase the total available supply of goods and services. It simply transfers buying power from one person to another. Such transfer, however, has important consequences.

*Who buys what* affects price and consumption and saving and production patterns throughout the economy. When money is taxed

*Taxing the fruits of saving and productive effort discourages thrift and work. Subsidizing idleness increases it.*

from one person and given to another, to equalize wealth, there is the strong probability that goods and services will be diverted from productive use to immediate consumption. Taxing the fruits of saving and productive effort discourages thrift and work. Subsidizing idleness increases it. This is the reason why compulsory socialism has failed to relieve poverty when and wherever it has been tried. It redistributes the money supply, but with consequences that waste resources and lives and lead relentlessly toward famine.

The formula, "from each according to his ability and to each according to his need," simply empties the breadbasket faster than it can be filled. Within our lifetimes we have seen this happening in Russia, Red China, India, Cuba, and other nations willing to accept every gift the free world has offered—but not willing to practice freedom. And perhaps the most dramatic of all examples was afforded by the history of the Plymouth Colony in the New World. The first years of communal effort, pooling the harvest and sharing "according to need," were marked

by dissension, dearth, and death. Fortunately, the settlers then tried private ownership of the land and the fruits of each owner's labor; and hunger and famine have been unknown in the land since that change.

#### ***Socialism Fails to Arrange for Further Production***

The reason why socialism fails to relieve poverty comes clearer if one looks behind the monetary screen. Then it may be seen that material wealth is comprised of hoes and rakes and wheelbarrows, among other things.

Taking from a worker half the tools he needs to do a decent job (or taking them from that worker's employer) and dividing the proceeds among the poor in the form of consumer goods lowers the production potential of such a society. It's a grasshopper's way of high living for the moment and no thought for the morrow. The industrial revolution, that makes for a high level of production and a high level of living for all industrious and thrifty members of society, is contingent upon respect for private property in the hands

of those who have earned and saved it for a purpose. Owners of tools are in a position to hire others to help them use those tools for productive purposes. As previously discussed, competition obliges the owners of resources to use them efficiently and in a responsible manner.

The public-sector war on property includes various governmental programs of a socialistic nature such as outlined by Marx and Engels in *The Communist Manifesto*. And these may be studied at close range without traveling to Russia or Red China or Cuba. What country today lacks experience with price supports and price ceilings, rent controls, minimum wage and maximum profit laws, rate regulations and other controls over interest, electricity, gas, water, housing, garbage disposal, communications, travel, insurance, banking, and what not? Where in today's world is a person free to assume his own risks against the vicissitudes of old age, illness, illiteracy, illegitimacy, indigence, and unemployment instead of being taxed for everybody else's benefit? What country is free of such protectionist measures as tariffs, quotas, embargoes, and similar restraints of trade? All these are forms of plunder, war on property, class warfare in the Marxian sense.

### **Helping the Aged**

Most of us readily recognize plunder when it takes the form of force applied to a person or to his property by an authoritarian dictator or by some unlicensed crook. But what do we make of a proposition like this from President Johnson's "Message on Older Americans" addressed to Congress last January?

"We should look upon the growing number of older citizens, not as a problem or a burden for our democracy, but as an opportunity to enrich their lives, and, through them, the lives of all of us."

The President was advocating further expansion of the social security program originally enacted in 1935. After all these years, who could possibly question so worthy a goal as helping ourselves by helping the aged? Yet, compulsory social security is a plundering game, perhaps more harmful in the long run simply because its ultimate impact was so dimly foreseen in the beginning.

The social security tax bill has doubled on the average every six years since the first collections in 1937. It amounted to \$20 billion in 1966 and threatens, under new proposals, to double again by 1974. A younger worker, facing the prospect of an annual social security tax of \$1,000 or more, sure-

*Urban renewal is a form of the war against property; and the major victims have been the families of the very persons — the poor — in whose interests the program supposedly was initiated.*

ly must suspect that this could become “a burden for our democracy.” Every taxpayer knows that taxes are a burden.

But is the taxpayer the only victim of the social security plunder game? What of the harm done the recipients of such handouts? Are their lives truly enriched by relieving them of the responsibility and the opportunity to grow out of their own errors and misfortunes? Can a life be enriched, except as it becomes more useful? Just how does a government promise of old age assistance help anyone to help himself?

We know the harmful consequences of paternalism beyond the call of duty within the family. And we also should understand the danger of paternalistic practices on a societal scale. That danger lies in the moral and economic impoverishment of the victims of such intervention.

### **Urban Renewal**

Another campaign front in the general war on poverty has been that of Federal urban renewal. Professor Martin Anderson has admirably documented the failure

of that program.<sup>2</sup> More homes were destroyed than have been built under the program; and those destroyed were predominantly low-rent homes while those built were predominantly high-rent homes. Many of the small business firms displaced by urban renewal went out of business, while others relocated in higher-rent and higher-cost areas; very few have ever moved back into the urban renewal area. Most renewal programs decrease the tax revenues flowing into the cities' tax coffers, placing added tax burdens on presumably unaffected properties. And all programs involve the use of the power of eminent domain to take the property of some for redistribution or use by others. So, urban renewal is a form of the war against property; and the major victims have been the families of the very persons — the poor — in whose interests the program supposedly was initiated.

Not all of the various welfare programs of compulsory interven-

<sup>2</sup> Martin Anderson. *The Federal Bulldozer: A Critical Analysis of Urban Renewal, 1949-1962* (Cambridge, Massachusetts: The M.I.T. Press, 1964). 272 pp. See especially his article on page 614 of this issue of *THE FREEMAN*.

tion and redistribution have been as clearly cost-accounted and measured in their impact as the Federal urban renewal program has been weighed by Professor Anderson. But there is no reason to expect any other result from any of the other seizures or controls of private property intended to overcome poverty. The noblest of intentions may go unrealized. But the unforeseen and inevitable consequences are quite real.

When government sets the price of bread below the market level, there are two victims: the producer of bread who is driven out of business, and the consumer who is left waiting in line for the bread that was not produced. The victims of rent control are as much the tenants who cannot find housing space as the landlords who cannot supply it at that fixed price. Minimum wage laws injure not only the employers who cannot afford to hire at such wages but also the employees incapable of earning them. The same tariff that bars a producer from the market also bars a consumer. Every consumer subsidy is a tax upon producers, a war against property that injures the poor.

### **The Key to Jobs**

The private ownership of resources by persons most capable of using them productively is the

key to job opportunities and more abundant living for the poor. The "lower third" and the "upper third" and the "middle class" have a common interest in protecting the private ownership of property. The jobs and livelihoods and lives of all depend upon it. Any person who hopes to sell his services ought to see that his prospects depend upon property owners. Their right to own and use property, coupled with their ability to manage it well, create job opportunities for others. If a person is not satisfied to be an employee of a property owner, he may turn to self-employment. In that case, he will need to save for tools — become a property owner himself — if he is to succeed.

So, in any case, whether a person be relatively wealthy or relatively poor, it is to his own best interest to respect and uphold the private ownership of property. When a government seizes private property, or otherwise clouds an owner's title in the name of war on poverty, it is the poor of that society who can least afford the costs of such warfare. They will be the first to starve.

Whenever a government exploits taxpayers to the point of serious inflation, which amounts to a heavy tax burden on the poor, riots and insurrection are to be expected.

Whenever a government exploits taxpayers to the point of serious inflation, which amounts to a heavy tax burden on the poor, riots and insurrection are to be expected.

### **Riots in History**

What is happening in the urban centers of the United States today has happened before, and in strikingly similar fashion, among over-governed and over-taxed people throughout history. Official court historians always have ascribed the inevitable rioting to such handy scapegoats as gouging merchants, greedy landlords, brutal local policemen, slave-owning ancestors, and every other reason except the real one: too much government intervention and too little personal freedom.

This is not to defend the earlier practice of slavery in America and elsewhere or the mistaken and harmful practices of shortsighted marketeers or short-tempered lawmen. Human beings make mistakes; and each such mistake has consequences that ripple through society, often for years. But human progress is not a process of building molehill mistakes of the moment into permanent mountains of misery. Unless we can learn by our errors to do otherwise, we are condemned to keep on repeating them. And our most terrible mistake is to fall upon an

earlier evil as the justification for a new one. The horrors of slavery can never be erased by a new reign of arson, looting, murder, and riotous brutality.

### **The French Revolution: from Inflation to Napoleon**

A clearer view of current happenings in Newark, Detroit, and other trouble spots in the United States may be possible if we look back with that scholarly historian, Andrew Dickson White, at the sequence of events during the French Revolution when the United States was a mere babe in arms.<sup>3</sup>

Louis XVI had recklessly spent France to the verge of bankruptcy by 1789, and inflation was to be the "short road to prosperity." Despite abundant warnings from those who recalled the history and disaster of earlier inflationary practices, the members of the French National Assembly voted ever-larger and more frequent issues of irredeemable paper money. But the inflation, as always, ag-

<sup>3</sup> Andrew Dickson White, *Fiat Money Inflation in France* (Irvington-on-Hudson, N. Y., Foundation for Economic Education, Inc.) \$1.25 paper; \$2.00 cloth.

gravated the very evils it was proposed to cure.

What began as the confiscation of the property of the Church, the leading landlord of France at that time, became the excuse for more and more printing of worthless "assignats." This growing flood of "purchasing power" caused the skyrocketing of prices, prompting businessmen to expand operations but often in a wrong direction leading toward personal failure and bankruptcy and unemployed workers. And, as usual during inflation, wages failed to keep pace with rising costs of living. Workers' savings were exhausted, along with any reason that might have held for saving in the first place. Thus the relentless inflation took its toll from among the very poor it had promised so much to help. Meanwhile, the recklessly-spending and money-printing government had shifted the blame for rising prices onto merchants and landlords and other businessmen equally trapped by events; maximum price laws and other disrupting control measures were enacted with death penalties for violators. But the people rioted, regardless, and the guillotine eventually claimed the heads of those whose good intentions had brought on all the trouble.

And the only thing the people of France gained from that particu-

lar version of the Great Society was Napoleon!

The ways in which Louis XVI spent taxpayers' money in 1790 doubtless would seem foolish to heads of state in 1967. But there is no indication that Louis was giving the money to enemy nations, or waging war at the opposite side of the world on behalf of one unfriendly nation against other unfriendly nations, or planning to colonize the moon. It is true that modern rulers have found interesting new ways to bankrupt their country's treasury. And the resultant inflationary resort to the printing presses may be slightly more sophisticated today. But reckless spending of artificially created purchasing power still spells inflation, and today's riots by the tax-burdened and dispossessed poor of Detroit are very much the same as the riots of Paris in the 1790's.

#### ***Offering Explanations That Won't Stand Scrutiny***

It is not that some of the looters are the great grandchildren of Negro slaves; doubtless among them also are to be found the great grandchildren of slave owners and of ardent Abolitionists of a century earlier.

It is not that the rioters are poor; the poor of the world have as good a record for peace and

*Our riotous friends are the unhappy victims of the false promises and bulldozer practices of the welfare state.*

honesty and brotherly love and law-abiding citizenship as have those on any other rung of the economic ladder.

Nor is it that those who flaunt the laws of the land have been denied educational opportunity; many of their provocateurs and leaders in violence are holders of college degrees with campus training for insurrection.

Our riotous friends are the unhappy victims of the false promises and bulldozer practices of the welfare state.

These are individuals who have been dispossessed, driven from the modest homes they could afford in the name of slum clearance and urban renewal and public housing. They are urban dwellers obliged to pay in higher grocery bills for an annual \$6 billion farm relief program. They are subject to draft for "somebody else's" war that seems far more likely to threaten than to strengthen American security. They are unemployed by reason of special privileges that have been extended to the leadership of organized labor unions. They are asked to pay for the protection granted industry in the

form of tariffs, quotas, embargoes, and other price-hiking barriers to world commerce. They have been guaranteed subsistence, but with shackles attached. A slave to hand-outs and subsidies, for which he himself must pay in the end, is nonetheless a slave. Stripped of his self-responsibility and his self-respect, he may not be expected to understand or respect the lives or the properties of others who have earned their rights. The poor of our nation have been promised the moon — and presented the bill! And they riot against this evil they cannot understand.

Nor is it easy to understand. The aftermath of a Watts or a Newark or a Detroit riot must appear to the careful observer very much like the gaping wounds in "demonstration cities" when the Federal bulldozer of urban renewal has taken its toll of homes and businesses and displaced persons. It may be said for the rioting, looting, and burning that it is considerably faster and less costly than the legalized method of urban demolition. But that does not excuse the violence or the destruction involved in either procedure.

And what it will cost to rebuild the wrecked homes and businesses and lives all depends on whether it is attempted by the compulsory methods of government planning and taxation or by the voluntary cooperation of self-responsible and self-respecting individuals in the open competition of the market. What we can be certain of is that one method is warlike and the other is peaceful. And that should be sufficient reason for anyone to cast his vote for freedom. ♦

• For further readings on the important relationship between private property and personal freedom and well-being, see:

W. M. CURTISS, "Freedom Rests on Private Property," *Essays on Liberty*, Volume V, p. 170.

HENRY HAZLITT, "Private Ownership: A Must," *The Freeman*, June, 1967, p. 342.

PAUL L. POIROT, "Property Rights and Human Rights," *Essays on Liberty*, Volume II, p. 79.

LEONARD E. READ, "The Poor Should Look to Liberty," *Essays on Liberty*, Volume XII, p. 9. "When Wishes Become Rights," *Essays on Liberty*, Volume XII, p. 85.

DEAN RUSSELL, "Play Store Economics," *Essays on Liberty*, Volume XI, p. 218.

# FREEDOM AND THE CONTRACT STATE

DONALD WARMBIER

OVER 100 years ago, John Stuart Mill summed up the difficulty of preserving freedom under socialism with these words:

If the roads, the railways, the banks, the insurance offices, the great joint-stock companies, the universities, and the public charities, were all of them branches of the government; if, in addition, the municipal corporations and local boards, with all that now devolves on them, became departments of the central administration; if the employees of all these different enterprises were appointed and paid by the government, and looked to the government for every rise in life; not all the freedom of the press and popular constitution of the legislature would make this or any other country free otherwise than in name.<sup>1</sup>

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<sup>1</sup> John Stuart Mill, *The Essential Works of John Stuart Mill* (New York: Grosset & Dunlap, 1965), p. 356.

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Mr. Warmbier is a student at Michigan State University.

Today, in the United States at least, the kind of formal socialism described by Mill is no longer a major threat. We now face not so much increasing state ownership of our enterprises as increasing state purchase of their products. As one writer puts it:

The old demands that government nationalize railroads, coal mines, shipping, shipbuilding, arms-making have in the last thirty years subsided from a roar to a whisper. Instead, governments as mass purchasing agents have operated increasingly. . . . It is this trend . . . that can be expected to increase for some years.<sup>2</sup>

Expanding use of government as a purchasing agent, funneling through it ever-larger percentages of the national income, has been called the movement toward a contract state, in reference to

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<sup>2</sup> Max Ways, "The Road to 1977," *Fortune*, January, 1967, p. 196.

the ever-greater role contracts with the government play in the economy. This contract state differs in form from the socialism envisioned by Mill, but does it differ in substance? There are those who say that it does:

If the government were to take 30 cents or even 40 cents or 50 cents out of every dollar's worth of our production, in contrast to its present share of about 20 cents, the government would then become a larger customer of American business. It would not be a larger producer. This is a most significant difference: a government that buys a larger proportion of our output creates neither a planned economy nor a socialist one.<sup>3</sup>

### **Millions of Potential Employers — Or Just One?**

Yet there are reasons for doubting the significance of the above difference. Mill saw socialism as a danger to freedom because it replaces the millions of potential employers of a free economy with a single employer, the state, to which everyone must look "for every rise in life." Those who would criticize the actions of a socialist state might well be inhibited by the knowledge that they risk antagonizing their only source

of advancement in their chosen line of work.

Rather than the nation's predominant employer, expansion of the contract state turns government instead into its predominant customer. Businessmen must depend on the state for more and more of their sales. Relying increasingly on a single customer, such businessmen find their freedom to criticize that customer diminished in a manner closely resembling what Mill feared would take place under formal socialism. One advocate of increased purchases by the state says of such businessmen that they have been

... losing freedom in the precise pattern of classical expectation. The officers of Republic Aviation, which does all of its business with the United States government, are no more likely in public to speak critically of some nonsense perpetrated by the Air Force than is the head of a Soviet *combinat* of the ministry to which he reports. No Ford executive will ever fight Washington as did Henry I. No head of Montgomery Ward will ever again breathe defiance of a President as did Sewell Avery in the age of Roosevelt. Manners may be involved here. But most would state the truth: "Too much is now at stake!"<sup>4</sup>

<sup>3</sup> Peter L. Bernstein, *The Price of Prosperity* (New York: Random House, 1966), pp. 107-108.

<sup>4</sup> John Kenneth Galbraith, "Capitalism, Socialism, and the Future of the Industrial State," *The Atlantic Monthly*, June, 1967.

But growth of the contract state affects not only businesses and businessmen. It also forces universities, hospitals, research and cultural organizations to look increasingly to the government for the sale of their services. As government takes 30 cents or 40 cents or 50 cents or more out of every dollar of production, scholars, doc-

tors, scientists, even artists come to view the state as their most important patron and benefactor. Under the contract state, no less than under formal socialism, a point is reached when "not all the freedom of press or popular constitution of the legislature would make this or any other country free otherwise than in name." ♦

### *A Tale of Two Message Carriers*

A STRANGE CONTRAST exists in recent moves of two Federal organizations, both ostensibly acting "in the public interest."

One Federal agency, the Federal Communications Commission, has ordered the American Telephone and Telegraph Company to reduce its long distance rates. To the dismay of the more than 3 million A. T. & T. stockholders, the market value of their investment dropped several billion dollars as a result of the FCC action.

At the same time another agency, the Post Office Department, is asking for a 20 per cent boost in its first class rate on letters.

In less than 35 years the government-operated postal service has increased by 150 per cent the rate on letters—from 2 cents to the present 5 cents—and another increase from 5 cents to 6 cents is in the works. The rate on the old "penny" postcard, which was held at 1 cent for 80 years until 1952, would also be boosted to 6 cents.

In the same 35-year period long distance rates of the privately operated telephone company have been reduced by as much as 70 per cent.

For example, a three-minute daytime station-to-station call from Chicago to Los Angeles in 1932 cost \$6.25, with an

overtime charge of \$2 a minute after the first three minutes. Today the same call can be made for \$1.80, with an overtime charge of 45 cents a minute.

A comparison of first class mail rates for years when significant changes were made since 1932 and the cost of a typical long distance telephone call [day rate, Chicago to Los Angeles] follows:

|      | <i>Three minute<br/>phone call</i> | <i>First class mail<br/>Letter</i> | <i>Postcard</i> |
|------|------------------------------------|------------------------------------|-----------------|
| 1932 | \$6.25                             | 2c                                 | 1c              |
| 1933 | 6.25                               | 3c                                 | 1c              |
| 1952 | 2.25                               | 3c                                 | 2c              |
| 1958 | 2.20                               | 4c                                 | 3c              |
| 1963 | 1.95                               | 5c                                 | 4c              |
| 1967 | 1.80                               | *6c                                | *6c             |

\*Proposed.

The cost of mailing a letter is the same day or night; but not for making a long distance call. The night rate for a Chicago to Los Angeles call is 90 cents for the first three minutes and 25 cents for each additional minute.

In the light of this record, it hardly seems appropriate for the government to be lecturing a private communications system on the advisability of holding down rates.

Editorial, *Chicago Tribune*, August 9, 1967.

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# FREEDOM'S THEORY OF VALUE

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LEONARD E. READ

THOSE OF US who wish to assist in a reversal of the present trend away from individual liberty must, among other refinements of the mind, understand, believe in, and be able to explain the subjective theory of value, as forbidding as that term sounds. Except as we understand and apply this correct theory of value, individual liberty is out of the question.

The possessions one accumulates are a reflection of his values. What a man owns—what is his own—is what he is. One's personality and property reflect his subjective values.

But few of us care to live in isolation. We prefer to exchange ideas and goods and services with others. And the problem is to work our strictly personal values into a price or value structure for purposes of peaceful trade. The question to be answered is, how does the subjective theory of value determine the market price?

Here it is: *The exchange value*

*of any loaf of bread, of any painting, of any day's work, or of any good or service is whatever another or others will offer in willing exchange.*

When Mrs. Smith swaps a shawl for Mrs. Jones' goose, the value of that shawl is that goose and vice versa. Yet, each lady gains in her own (subjective) judgment. Were this not a fact, neither would have willingly exchanged.

Value can make no sense except as it is subjectively determined, that is, as utility or gain is judged by self. Gain or value cannot be determined for anyone by another. What has value for one may have more or less value to someone else: there are those who prefer a chinchilla coat to a college education and vice versa, a freedom library to a vacation and vice versa, the theater to a TV performance and vice versa, ad infinitum.

Assume that I am an artist and

do a painting each month. Unfortunately for me, no one wants "a Read." The value of my work? Zero! Now, assume that a change occurs in the minds of buyers (in each instance, subjective); "Reads" become a popular whim to the point that each will bring \$1,000. The value of my work? \$1,000! For the sake of this illustration, there was no change in the quality of the paintings. Buyers changed their minds and, thus, the value of my work.

It is perfectly plain that the practice of subjective evaluations is the practice of individual liberty or, if you prefer, personal freedom of choice.

It is also easily demonstrable that freedom of the press, freedom of religion, freedom of speech, freedom of assembly are impossible in the absence of economic freedom.<sup>1</sup>

This correct theory of value is opposed by the objective theory, that is, by arrangements where someone else, by some standard of evaluation other than your own, attempts to determine the value of goods and services to you. An understanding of the fallacious objective theory and an ability to identify it in its many manifestations helps to accent the im-

portance and the validity of the subjective theory in practice.

Prior to 1870 no one had formulated the subjective theory. Nor was it invented. Three economists — Menger, Jevons, and Walras — from different countries and without collaboration, formulated the theory almost simultaneously. Their enlightenment came by merely observing how common people behave — produce and exchange — in the absence of governmental or other interference. Thus, before 1870 when there was no understanding of the subjective theory, objective methods of arriving at value predominated.

The classical example of the objective theory of value is the labor theory of value. This theory merely affirms that value is determined by cost of production or, stated another way, by the amount of energy expended. While some classical economists knew the theory to be wrong, they were not certain as to what was right.

Pursuing the labor theory to its logical and absurd conclusion, a mud pie would have the same value as a mince pie, provided that they were produced by equal expenditures of energy. If a pearl diver came up with a pearl in one hand and a pebble in the other, they would be of equal value!

Of course, people will not exchange as much for a mud pie or a

<sup>1</sup> See "Freedom Follows the Free Market" by Dean Russell, *THE FREEMAN*, January, 1963.

pebble as for a mince pie or a pearl. So, how does this theory find expression in practice? Simply use the power of government to take from the mince pie makers and give to the mud pie makers! Karl Marx gave the formula: "from each according to his ability, to each according to his need."

However, even the Russians no longer are strictly addicted to the labor theory of value. Yet, they largely rely upon objective standards of one kind or another. That is, self-determination is at a minimum; the government arbitrarily prices nearly everything. Willing exchange is not the mode; individual freedom of choice is substantially taboo; the subjective theory is less used in Russia than elsewhere.

Note that there is no freedom of the press, of speech, of religion, of assembly in Russia. It is because economic freedom is denied; and economic freedom is impossible unless subjective value judgments are respected.

One of the most important points to keep in mind is that the amount of effort exerted or the cost of production does not determine exchange value. It is determined by individual evaluations of personal utility. The market price or value is somewhere within the range of these evaluations.

We who are interested in indi-

vidual liberty and, thus, in the observance of subjective value judgments, must know that the objective theory is antithetical to our welfare, and we should be able to identify its many practices, regardless of how cleverly disguised they are.

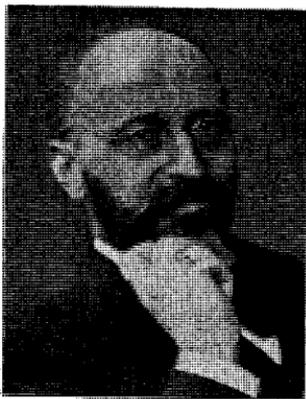
Actually, we need only keep our eyes on unwilling as distinguished from willing exchanges. All unwilling exchanges rest on objective and not on subjective value judgments.

Would you willingly exchange your income or capital for farmers not to grow tobacco, to rebuild someone else's downtown, to put men on the moon, to underwrite power and light for the people of the Tennessee Valley, to pay people not to work? If your answers are negative, you can take the political applications of the objective theory from there. Examples abound by the thousands.<sup>2</sup>

It is a gross understatement of the case to say that freedom rests on the practice of the subjective theory; subjective value judgments, when honored, *are* freedom!



<sup>2</sup> See *Encyclopedia of U.S. Government Benefits* (Union City, N. J.: William H. Wise and Co., Inc., 1965). This tome of more than 1,000 pages lists over 10,000 benefits.



Böhm-Bawerk

## The Man Who Answered Marx

DEAN LIPTON

IT IS A SAFE BET that for every million persons who have heard of Karl Marx not more than one or two can recall the name of Eugen von Böhm-Bawerk. In a major sense, this is unfortunate, for Böhm-Bawerk was the man who answered Marx.

Nevertheless, it is quite understandable. Marx was primarily a propagandist, a polemicist, a gifted sloganizer. His life story from the time he was the editor of a radical newspaper in Germany to the years he struggled for control of the First International was the deliberate attempt to sway

the minds of men. He was a politician in the guise of journalist, philosopher, and economic thinker. About all this, Böhm-Bawerk could not have cared less. He was the dedicated scientist searching for truth. He refined economic ideas and concepts in a way that few others ever had or could. Where Marx borrowed heavily — and uncritically — from any past economist whose ideas could help him prove a point, Böhm-Bawerk would cut away at their falsity, never concerned with anything except arriving at the core of essential truth.

It was, of course, only natural that he would eventually clash with the ideas promoted by Karl

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Marx. They were starting their ascendant curve during the time Böhm-Bawerk was growing into manhood and beginning to think about the shape of the world, and the principles upon which human freedom and prosperity were based.

### **Two Lines of Thought**

Eugen von Böhm-Bawerk was born in 1851. Three years earlier Marx (and his collaborator, Friedrich Engels) had published *The Communist Manifesto* containing the ringing declaration: "WORKERS OF THE WORLD UNITE! YOU HAVE NOTHING TO LOSE BUT YOUR CHAINS." In 1867, when Böhm-Bawerk was just sixteen, there appeared the first volume of *Das Kapital*, the book which was to become the bible of so-called scientific or modern socialism.

Many of the young European intellectuals were swayed by Marxist ideas, but there is no record that Böhm-Bawerk ever was. In part, this was probably due to his teacher and mentor, the famous Carl Menger, who among other things formulated the important theory of marginal utility. At first, Böhm-Bawerk was only one of a group of brilliant, young economists gathered loosely around Menger, originating the renowned "Austrian" school of economics.

But, in time, he surpassed them all, becoming the master, the man whose work left the greatest impact. Historically, he and the other "Austrian" economists performed two important and vital functions. First, they made corrections in the inaccuracies they saw in the work of the "Classical" economists, even daring to take on such masters of the past as Adam Smith and David Ricardo. Secondly, they were the main economic critics of Marx and his followers in the closing years of the nineteenth century and the opening years of this one.

There was another curious paradox between Karl Marx and Eugen von Böhm-Bawerk which should be mentioned. The politically-minded Marx never held public office. He was unable even to hold all of his followers, all the men who thought in a general way like him, together in the one enclave he knew was necessary for the quick seizure of power. Proudhon quarreled with the Marxists during the volatile days of the Paris Commune. The Marxists expelled Bakunin from the International. Lassalle broke with Marx to form his own Socialist party.

The nonpolitical Böhm-Bawerk was appointed Minister of Finance in three different Austrian cabinets (1895, 1897-98, and 1900-04.)

But in each instance it was the office seeking the man. Böhm-Bawerk had no political ambitions, but the political leaders of the Austria of his time knew that he had no peers in the fields of economics and finance. The post he enjoyed most was the one he held for a long time as Honorary Professor of Political Economy at the University of Vienna.

### **Capital and Interest**

Even if Böhm-Bawerk had not exposed the Marxist fallacies, his work would have had lasting significance. He was among the first to explore the complicated labyrinth of price fluctuations. Although many have tried, no one has successfully supplanted his two theories of interest. Here, it is only fair to point out that both were hinted at by Nassau William Senior, an English economist, in 1836. However, Senior had left them in an unfinished state, and it was Böhm-Bawerk's work which pointed up their importance.

In the abstinence theory, he demonstrated that interest was compensation for the postponement or waiting for the satisfaction of a person's wants. While this idea may seem commonplace today, it wasn't in Böhm-Bawerk's time. His second theory dealt with the importance of interest to the productive process. He insisted

that it was the most efficient way to secure capital investments, stating that even a socialist state would have to make use of it, or some equivalent, if it were to survive economically. The experiences of Soviet Russia in the years immediately following the Russian Revolution proved him right.

In 1894, the final two volumes of Marx's *Das Kapital* were published posthumously. They had been edited from Marx's notes by his long-time associate, Friedrich Engels, and we, of course, have no way of knowing how different they might have been if Marx had lived to do his own editing. However, the chances are reasonably good that the two versions would not have differed in any significant respect. Marx and Engels were intellectual twins. A common thread running through all of their ideas was the "exploitation of labor." According to them, every economic process of a free society was designed to exploit the workingman.

With his usual logical thoroughness, Böhm-Bawerk disposed of this argument in whatever Marxist theory it occurred. Marx argued that interest was derived only by exploiting labor. Böhm-Bawerk answered this contention by pointing out that if interest were the just compensation for saving as he conclusively proved

in his abstinence theory, and absolutely essential to the productive processes of a modern industrial nation, it could not be exploitative in the Marxist sense.

Another sample of Marxist reasoning was that all the profits of the entrepreneur and the capitalist were "surplus value" created by labor. If labor had not been exploited, there would be no profit. The corollary to this, of course, was that all so-called "surplus value" should be returned to the worker.

Böhm-Bawerk pointed out that as long as a major part of "surplus value" was re-invested in a nation's industrial capacity — and not used to satisfy the capitalist's or entrepreneur's personal wants — it went back to the people in an ever-rising standard of living. In another one of his uncanny predictions, he foretold that under socialism "surplus value" would not be returned to labor, any more than it was under capitalism. If it were, the socialist nation would lack the means to build or maintain an industrial economy. Again the experiences of both Soviet Russia and Communist China proved him right. In fact, both Russia and China expriopriated so much of the worker's product that millions of people were deliberately starved, so that rapid industrialization could be achieved.

### ***Labor Theory of Value Exposed***

But it was on the Marxist Labor Theory of Value that Böhm-Bawerk turned the full force of his powerful mind. The idea that labor "created" value did not originate with Marx. Sir William Petty developed something like it two centuries earlier, and Ricardo devised a similar theory. Marx borrowed the Ricardian concept, and added a few sophisticated touches to it. He himself admitted that his whole theoretical structure rested upon the Labor Theory of Value, and that if it could be disproved, "scientific" socialism would be rendered invalid.

After Böhm-Bawerk finished demolishing it, there was not a single major economist who would accept the Labor Theory of Value as anything other than an interesting historical oddity. Even many branches of World Socialism, such as the Fabian Socialists in England, discarded it as untenable.

The "ambiguities and contradictions" in Marx's language offended good sense, Böhm-Bawerk pointed out. Marx claimed that the value of a product was determined by the "socially useful" labor involved in its production. Böhm-Bawerk found the phraseology meaningless, and pointed out that it differed little from Adam Smith's distinction between productive and

unproductive labor. Smith had used the artisan as an example of productive labor and the menial servant to illustrate unproductive labor. Böhm-Bawerk stated that if the servant's efforts released his master to perform productive work, then his labor was also productive.

The universal application of Böhm-Bawerk's analysis can be seen by taking the case of a widow with young children who re-enters the labor force as a stenographer. Without someone to care for the children, she would be unable to work, and so the girl she hires as a baby sitter certainly performs productive or essential work.

#### **Utility, Scarcity, and Choice**

To demonstrate the validity of the Labor Theory of Value, Marx used the diamond, insisting that it was valuable because of the amount of labor expended to mine it. In other words, a diamond at the bottom of a deep mine shaft requiring the work of many men to dig would be worth more than a diamond found accidentally on the surface of the ground. Quite obviously, any diamond merchant who estimated the worth of a stone on this basis instead of the usual reasons such as the number of carats or its crystalline flawlessness would go out of business in short order.

To Marx, value was a concrete condition created in much the same manner that an article might be manufactured. To Böhm-Bawerk, it was a relative system of measurement depending at any time on external factors. He demonstrated that the Marxist concept failed to take two important elements into consideration: utility (or usefulness) and the nearly-equally important subjective quality of want or desire. Despite the appearing solidity of the Labor Theory of Value, it was nebulous, vague, and unpredictable. It lacked every characteristic that a science was supposed to have. Conversely, the Böhm-Bawerkian law worked with mathematical precision.

It could be summarized into the following formula:

1. Utility is the basis of value.
2. Scarcity is the measure of value.
3. Price is the evidence of value.

Nothing is valuable unless it is in some way or degree useful. The decrease or increase of its value is dependent on the rise or decline of its supply. Valuable goods are costly either in terms of other goods or money. To this he added another factor for the determination of price: the subjective quality of want. If no one wanted an article — no matter how scarce it was — its price could hardly be very great.

The importance of want or de-

sire is self-evident. The more the seller values an article, the higher his asking price will be. The more the buyer wants the article, the more he is willing to pay for it. This, of course, works in reverse. The lower the buyer's personal evaluation of an article, the less he will be willing to pay for it. If a seller places little value on an article, he will be willing to sell it for a low price.

### **Subjective Value Judgments**

Böhm-Bawerk covered all possible criticism before it could be leveled. He did it so well that the Marxists ever since have found themselves in the position of having to answer the unanswerable. Take the way he disposed of any future objection to the utilitarian basis for value in his monumental work, *The Positive Theory of Capital*,\* for instance. After noting

that such infinitely more useful items as bread and water ordinarily are far less valuable than diamonds or pearls, he points out that they only appear to be because under normal circumstances they are in such abundant supply while pearls and diamonds are relatively rare. But when food becomes scarce, the value of a sandwich to a starving man is far greater than that of a large and flawless diamond. A man dying of thirst in the desert will run first to a canteen of water before he even considers the bag of pearls lying a few feet away.

Böhm-Bawerk finally concluded: "Thus those very facts which, at first sight, seemed to contradict our theory that the amount of value is dependent on the amount of utility condition, on closer examination afford a striking confirmation of it." ♦

*\*The Positive Theory of Capital* is now included as Part II in a 3-part translation of Böhm-Bawerk's *Capital and Interest*, published by the Libertarian Press and also available from the Foundation for Economic Education at \$35.00 in a boxed 3-volume edition, or \$17.50 in a single volume.

The Foundation also stocks *Human Action, Theory and History*, and several other books by Dr. Ludwig von Mises, student of Böhm-Bawerk, and the leading living exponent of the Austrian School.

# A Miracle?

RICHARD D. HAMMOND

IF I hadn't been there, I would hardly have believed it myself. We decided to "do it ourselves." Such a decision can scarcely be described as a miracle, although these days it seems almost like one.

It happens that some time ago I was asked to serve on an advisory board of a voluntary organization that helps the handicapped to help themselves. This is a fine organization, with a worthy purpose, certainly.

The time came for an expansion of facilities. The director came to the board with a well-worked-out proposal which involved our raising \$20,000 so that we could qualify for a 4 to 1 Federal grant which would give us \$80,000. He described this "opportunity" as "growth money."

When I attempted to point out

what the multiplicity of "Federal grants" was doing to our economy, our dollar, and our debt, I felt that I was looked at with a fishy eye by the director, the chairman, and my fellow board members. When I suggested that we might save some money by obtaining good used equipment, I was told immediately that the Federal grant specified only new and the latest equipment.

At a second meeting on the subject, and after further planning on how to qualify for the grant, I finally said, "Sorry, men, our motives are good, but our means are bad, and I'll just have to drop off the board. I can't go along. If you want to raise what money we need for serviceable equipment, on a voluntary basis, I'll do my best to help. But I can't be a part in taking the money, extracted from others by force, for even as worthy a project as this."

Where's the miracle? Well, after

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This article is from a recent letter by Mr. Hammond, a Maryland business association executive.

I had said this, one of the men said, "Maybe we *could* do it this way." Another said, "I don't particularly want to take tax money, but I don't see how we can do the job any other way." The chairman, who had for weeks given me the impression that he thought I was crazy, almost knocked me out of my chair when he said, "Actually, this is the way I really would like to see it done too, if it's possible."

To shorten the story, from that point on, the whole atmosphere of the meeting changed. Enthusiasm took over. Smiles and excitement came out. In a few minutes, we had numerous ideas as to how, and

where, we could get the equipment on our own; ideas on how to go about raising money.

After the meeting, one of the members came up to me and said, "Thanks, Dick, for waking us up."

At a subsequent meeting, a formal motion was passed to do the job ourselves. And we're now on the way to doing just that.

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P. S. I tried the same approach on another board I'm on—similar situation—and was voted down. But it's fun trying. The one success described above makes the trying more worth-while. ♦

#### IDEAS ON LIBERTY

### *A Source of Strength*

I SOUGHT for the greatness and genius of America in fertile fields and boundless forests; it was not there. I sought for it in her free schools and her institutions of learning; it was not there. I sought for it in her matchless constitution and democratic congress; it was not there. Not until I went to the churches of America and found them aflame for righteousness did I understand the greatness and genius of America. America is great because America is good. When America ceases to be good, America will cease to be great.

ALEXIS DE TOCQUEVILLE, *Democracy in America*

# ALTERNATIVE TO COMPULSION

MELVIN D. BARGER

ONE of the games people play today is to profess a belief in freedom while advocating more and more forms of governmental compulsion. Yet those who play the game would insist that they do not like self-deception and abhor hypocrisy. If they deceive themselves and practice hypocrisy on this matter of compulsion, it is because compulsory programs seem to get the results they desire, while voluntary methods appear to fail. "We detest compulsion as much as you do," they might say. "But what alternative can you offer?"

The believer in classic liberalism cannot, of course, offer alternatives to compulsion that will produce the same results that compul-

sory programs bring. There are, for example, few voluntary programs that will give individuals the power to tear down whole sections of cities and replace them with gleaming buildings as urban renewal does. There is no practical way for a believer in voluntarism to build an unprofitable dam or to endow a special interest group with largesse. But there is a powerful alternative to compulsion, and it may be rediscovered when compulsory measures finally fail. It is called *attraction*.

It is amazing that so few thinkers of our own day have grasped this idea of *attraction* and how it functions in economic affairs. It is an idea implicit in Christianity as well as in the fundamental structure of American government. In

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Mr. Barger is a public relations representative in Jackson, Michigan.

Christianity, the idea emerges as "letting your light shine so that men will see your good works and glorify your Father who is in heaven." In American government, attraction is implicit in the Bill of Rights and other statements of freedom; there is at least a confidence that good ideas will triumph through their power of attraction if all ideas are allowed to circulate freely.

### ***Reformers in Haste***

One of the ironies in attraction, however, is that it is not itself immediately attractive as a principle of operation to restless individuals seeking shortcuts and trying to get things done in a hurry. In the days before the Wagner Act, for example, labor leaders made relatively slow progress in signing up union members on a voluntary basis. Some of this slow progress, admittedly, may have grown from strong employer opposition and the intimidation of workers. But at least a large portion of the slow growth of unions could be ascribed to the fact that many workers did not find the union's program attractive. Rather than re-examine their own proposals and practices, labor leaders found a faster way: compulsory unionism, which persists to this day. Though defended vehemently as the only way unions can survive, compulsory unionism

still goes against the grain with the American public to such an extent that intense pressure from labor leaders has not succeeded in eliminating the right-to-work provisions from the labor laws.

There are, of course, numerous other examples of turning to compulsion when attraction seemed a bit slow and tedious. We now have compulsory social security programs, compulsory medical care, compulsory agricultural programs, compulsory auto insurance, and countless other departures from voluntarism. Just around the corner, apparently, are some new programs such as compulsory birth control and compulsory mental health on a nation-wide scale. Business organizations are being subjected to compulsory programs by other firms in their own industry; in quite a few industries it is now the practice to organize as a society or an association and to compel all eligible members to belong or face the suggestion that they are "out of it" or "not qualified to be accepted as equals."

And on the surface, compulsion does get things done. The social security check arrives every month, union dues are collected by checkoff, and everybody receives his fluoride from the city water supply whether he has teeth or not. Since compulsion gets certain things done so well, what is really

wrong with it? It may appear immoral, but its proponents will also argue that it's immoral to let old people starve or to let dangerous buildings stand in a slum.

***Compulsion Doomed to Fail;  
Cannot Deliver the Goods***

Compulsion can be condemned for a number of reasons. There are, as Friedrich Hayek argued some years ago, reasons to believe that an increase in compulsory programs will eventually place the most unscrupulous individuals in charge of governmental affairs. There are indications that this may be happening, but they are not yet conclusive. Compulsion also appears to be legalized plunder in the view of many; but this objection is countered with the argument that "government has the authority and duty to redistribute in order to advance the common welfare." A third objection, that compulsion destroys freedom, does not win as many adherents as it should because they insist that their brands of compulsion eventually promote freedom.

Actually, compulsion may defeat itself through its inability to deliver the goods over the long run. It subsists on the lie that man is a compliant, subservient being who can be shaped and guided indefinitely into productive channels by coercion outside himself. Man

is not such a compliant being; and when compulsion has run its course he is the very power who will put it aside in favor of attraction, a force that does work indefinitely.

Perhaps one of the keener observations on this basic inferiority of compulsion to attraction was pinpointed many years ago in an essay on "The Will" in Thomas Troward's *Edinburgh Lectures*.<sup>1</sup> While writing chiefly of the human will and the limitations of will power, Troward indicted all compulsion by direct implication: "Many writers and teachers insist on will-power as though that were the creative faculty. No doubt intense will-power can evolve certain external results, but like all other methods of compulsion it lacks the permanency of natural growth. The appearances, forms, and conditions produced by mere intensity of will-power will only hang together so long as the compelling force continues; but let it be exhausted or withdrawn, and the elements thus forced into unnatural combination will at once fly back to their proper affinities; the form created by compulsion never had the germ of vitality *in itself* and is therefore dissipated as soon as the external energy which supported it is withdrawn."

<sup>1</sup> Dodd, Mead & Company, New York, 1909.

### **No Chance for Progress**

The fatal flaw in compulsion is that it lacks the creativity to produce the new ideas and forms which human progress demands. When a project is supported by compulsion, it is practically impossible to remove the compelling force without also witnessing the quick death of the thing supposedly created. One such example is when the government subsidizes a dying industry in order to save it for some noble public purpose or merely to aid a deserving community; the subsidy soon has to be of a permanent nature or the industry dies anyhow from its own inability to attract the nutrients of industrial life. The same is true of programs to force businessmen and labor leaders to follow wage-price guidelines; if compulsion is relaxed for either group or at any point, the guideline is ignored and forgotten. It is also true of economic stimulants applied to encourage the growth of new industries and get them on their feet; they never get to the point where they want to walk alone.

Attraction, if it is really present, is like Biblical Love; it never fails. If an attractive idea or arrangement is in motion, it draws substance to itself as unflinchingly as a magnet draws iron filings. It worked remarkably well in our

past history, still works in numerous social arrangements, and is still believed in as a business principle at many levels.

It is easy to see why attraction always supplies the highest output of creative and productive energies. When compulsive tactics are followed, a large amount of energy must be expended simply in overcoming the resistance and inertia of those being forced to submit. But where there is mutual attraction and agreement, the energies of all parties to the arrangement are available for productive use. This would be true of almost any social organization, whether a simple neighborhood association or a national government. To some extent, it explains why the fledgling America quickly outdistanced the armed monarchical states of Europe in the last century. Few of the nation's energies had to be tied up in apparatus for compelling reluctant minorities to go along with the ruling powers, and were therefore free for other uses.

How did attraction function in the American past? Well, we can only conclude that immigrants came to the United States in droves because they were attracted to it and fed up with compulsion. They were attracted by the promise of economic gain and more freedom; but at the outset many

of them had to make great sacrifices in order to get out of their native countries. The attracting force was so great, however, that they came by the millions, enduring stinking, dangerous ships and facing huge initial debts in order to make the change. Once in America, they began to make a place for themselves because they were attracted by the prospect of betterment. Most of us who are rather well off today owe much of our good fortune to determined ancestors who had the courage to break out of stifling conditions in feudal Europe and try something new. Compulsive measures never could have done the job of settling the United States a tenth as well.

### **Closed-Shop Methods**

What about social arrangements? It's tempting to use legal means to force groups of people with a common interest into an association, which is the kind of thing that tends to go on today in union organizations and professional societies. The latter, in particular, are choosing compulsive measures up to the limits of their powers; and anybody who belongs to such a society frequently hears discussions of methods to exclude certain people and, at the same time, to force others to belong. The medical, dental, and legal associations are masters

at this kind of thing, and are strengthened by the fact that practitioners in their fields must be licensed by states. Other professional groups are not far behind, however, and we seem to face a future in which the members of every profession will be able to control their memberships and to pass judgment on whether a newcomer to the field can be admitted.

The pretext of this kind of compulsion is usually "protecting the public" and "raising the standards of the profession." There's no denying that associations probably do elevate professional standards and help circulate vital information among their memberships. At the same time, however, all of them are powerful interest groups seeking additional advantages for their members. There's nothing wrong with interest groups, but they should not have the legal right to use certain compulsive measures that exclude some and force others to belong against their will. We need not fear that denying them a means of compulsion will destroy professional standards or leave the public wide open to fraud and bad practice. Any association can survive by making membership in it attractive to potential members; and it can win public support for its causes by offering convincing

proof that its members do provide the best services.

### ***Attracting Cooperation***

Attraction also offers solutions to social problems such as the present conditions of Negroes and other minority groups in the U.S. Most of the measures presently being advocated involve one form or another of compulsion, and some of them have succeeded up to a point. There's no question, for example, that pressure from the Federal government has created employment opportunities in a number of industries that were probably closed to Negroes before 1960. But compulsion has not accomplished the job to anybody's satisfaction; and without the constant application of outer pressure, conditions would tend to revert to what they were before 1960.

There are, after all, many reasons why it is good business to hire Negroes on an equal basis with anyone else. Prejudices were so deep-seated in almost every organization that few people realized this, and the groups working in the civil rights field were almost totally obsessed with securing legislative remedies. Now there is widespread disillusionment because the legislative remedies are failing to produce the desired results, and instead of re-

appraising the philosophy of compulsion, its proponents are simply calling for more of it. We can expect, therefore, that the people at whom this compulsion is aimed will continue to follow the letter of the law, but rarely the spirit of it.

### ***Pleasing the Customer***

It's primarily in our commercial activities that we see the most lively functioning of the forces of attraction. Throughout the United States, thousands of sellers bid for our attention, and work constantly to develop products and ideas that we'll want to buy. Sometimes these attempts to win us over become tiresome and irritating, but we wouldn't really want it any other way. If somebody has to make his proposal or product attractive to us, this means we are still being allowed to choose; and where there is a measure of choice, there is probably a certain amount of freedom.

We expect a great deal from the merchants who want our business, and we really have little sympathy for the enterprise that fails because it neglected the needs of its customers. Most of us are customers a good deal of the time, and we expect to be attracted to our purchases. If a businessman is able to make his products and services attractive to us, we're still willing

to reward him handsomely for it, and he in turn is able to attract additional capital into his business and thereby grow to draw even more customers. It is hard to see how anybody is injured by this process, except perhaps the business competitor who ignores the wants of the customers. The general public, the investors, and the employees of the enterprise all gain, while the nation as a whole is made richer. Best of all, it's done without depriving anybody of his freedom or his right to choose.

Right now, however, the idea of attraction is in eclipse with little support among the restless groups

seeking change and personal betterment. Attraction will always lack appeal to impatient people. Attraction's chief disadvantage is that it cannot work except by the free choices of the people, while compulsion can bring all sorts of extraordinary projects into being for the short term.

Compulsion is the chief tool of unimaginative people whose most prominent trait is considerable contempt for the nature of man. Attraction, on the other hand, is the hidden force that holds the universe together and makes the birds sing and the flowers grow. It is the creative power that causes free men to get things done. It will last forever. ♦

#### IDEAS ON LIBERTY

### *Healthy Discontent*

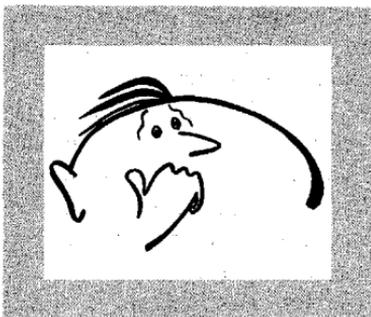
YOU MEN AND WOMEN of the advertising profession are the high priests of the cult of discontent. You are peddlers of the healthiest kind of unhappiness.

You hold the carrot of temptation and desire before the consuming public. And we reach for it. And, in reaching, we create movement, action, progress.

You stimulate our desire for improvement. You whet our appetites for better food, better cars, better homes, a better education, finer suits, smarter dresses. You fan the flames of hope and aspiration.

And hope, perhaps, is the most powerful force in our world today. For, without hope, the future becomes a pattern of monotony. Without hope, without dreams, without aspirations and ambition, our future world would indeed be grim and gray.

CHARLES L. GOULD, from an address  
to the Advertising Federation of America



# Decisions and Progress

ALEXANDER EVANOFF

THE PHILOSOPHY of individualism has these suppositions on the educability of man. It believes that no one can teach anyone anything, that no one can tell anyone anything which the individual does not already know, or is prepared inwardly to accept. This is true of individual preachments as well as governmental proclamations of truth and justice. The individual learns through his own abilities, limitations, and experiences. Therefore, the broader the scope for individual action, the broader and the greater the number of experiences, the better. The less imposition or interference from above, the better.

Learning is a matter of inward readiness, a matter of something

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Alexander Evanoff is Professor of American Studies, Department of English, Indiana State University at Terre Haute.

inward feeling a recognition and a correspondence with something outside the individual. If the inward readiness and preparedness based on thought and experience does not exist, the outward manifestation of thing or idea is not recognized.

Education, growth, development are a matter of inward ripeness. The more decisions an individual makes, the more rapidly he progresses. It is actually dangerous to withdraw possibilities for decision-making from the individual. Paternal action on the part of a presumably wiser entity, or government bureau, to save the individual entity trouble, requires the utmost probity and nicety of discrimination so as not to hinder more than help: because the blessed privilege of blundering may be more rewarding in devel-

opmental growth and creative function than to be deprived of the right to blunder by a ready-made and imposed decision.

Individual development, properly conceived, hinges upon decision. Even a mistaken decision may result in considerable advancement. The individual moves by making mistaken decisions or happy choices, as the case may be. Whenever a person's decision is made for him, he is deprived of a certain opportunity and, therefore, in a sense, of a certain property. Whoever may have made the decision has robbed him, even with the best intentions in the world. A person may gain certain easements unearned, when a decision is made for him, but at the same time he has been forced to forego a chance for certain self-building which the process of earning would have accomplished for him. Decision is the vital principle of individual progress, and cannot be taken out of the individual's hands without far-reaching harm. Whoever or whatever makes a decision for someone else, either through the operation of force, prestige, faith, or prerogative, in a very real sense steals from the person for whom the decision was made.

We are in a world with just so many opportunities of choice, of

right choice or wrong choice, just so many opportunities for learning from the results of our choices. Presumably, we are placed in this world to determine what is worth the choosing and what is not worth the choosing. Each time we permit someone else to determine for us what is within our own choice, we have allowed someone else to dip into our pocket and to take from us a bit of property that cannot be replaced.

We could not think kindly of a friend who took property from us more precious than gold. An individualist could not thank anybody who took away from him a legitimate and never-repeatable opportunity for progress. It will not come again. If the moment is taken away from the individual, he is that much the poorer for eternity. A man's purse may be stolen and restitution made. But if a man's opportunity for making a decision is stolen, that which can never be returned to him has been taken from him.

Each decision made is a step in the individual's development. Once passed, it is gone forever. The individualist cannot thank anyone — parent, priest, or government official — who deprives him of the opportunity to grow through the making of decisions.



# THE FEDERAL BULLDOZER

• *The Federal Bulldozer* has seen a lot of mileage since Dr. Martin Anderson's critical analysis of urban renewal was first published by M.I.T. Press in 1964. Now the book is available in a 1967 McGraw-Hill Paperback edition at \$2.45, and also may be purchased from The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York.

The following article is reprinted by permission from the author's new introduction to the paperbacked edition, pertaining to developments in the urban renewal field and his experiences since first publication of *The Federal Bulldozer*.

Martin Anderson is now Associate Professor of Business in Columbia University Graduate School of Business.

SINCE *The Federal Bulldozer* was published by the M.I.T. Press I have traveled throughout the country, speaking at universities, public gatherings, conventions of professional groups, and public policy forums. I have appeared on a number of television and radio shows, testified at Congressional hearings, received hundreds of letters and phone calls, and answered thousands of questions. One question I have often been asked is this: Now that you have had a chance to re-evaluate your

study and conclusions, are you still satisfied with them?

The answer is yes. To my knowledge, the extensive searching critiques of my study have not turned up a single significant error in the analysis, and the experience of the last two years has strengthened, not attenuated, the conclusions I drew from my original findings. At this moment, thousands and thousands of people are being forced to leave their homes, the private property of some people is being seized with the inten-

tion of turning it over to other people for their personal use and private gain, thousands of homes —most of them low-rent units— and businesses are being destroyed by the wrecker's ball and the bulldozer, and billions of dollars of your money and mine are paying for it.

### ***Is It Right?***

The question that we should have asked in 1949, when the Federal urban renewal program started, is long overdue now: Is it right to deliberately hurt people, to push around those who are least able to defend themselves, to spend billions of dollars of the taxpayers' money, so that *some* people might be able to enjoy a prettier city?

That answer is your own, and for those whose morals permit them to answer yes, there is another question: Has any city been "renewed"?

Here the answer is no. The Federal urban renewal program has been, and continues to be, a thundering failure — with one important exception: it has exhibited an amazing talent for continued growth. The reaction to failure has been a policy of escalation whose most recent manifestation is the so-called "Demonstration Cities" program. But while urban renewal has increased in size and

scope, its basic nature has not changed. The urban renewal program is essentially the same as it was when this book was first published.

In the book I offer the economic system of free enterprise as a viable alternative to the government program, and point out that it would not force people from their homes, that it would not take homes, land, and buildings from people without their consent, nor would it cost a dime of the taxpayers' money. I have since discovered that this alternative is unknown and unthinkable to many people, either because they know so little about modern economic theory or because they have a deep-seated antagonism toward the economics of laissez-faire capitalism. I am insistently pressed for a "positive" alternative, which, to the questioner, invariably means an alternative government program.

### ***Freedom Is an Alternative***

One does not *have* to offer any alternative government program for two reasons. First, to presume that any valid alternative *must* be a government program is to take a blatantly unintellectual position. Second, and more importantly, the Federal urban renewal program, by itself, is a bad program. It is causing harm, and its

To suggest that one should not stop harmful government action until one has thought of new government action is absurd.

very elimination would therefore be an improvement. To suggest that one should not stop harmful government action until one has thought of new government action is absurd. In fact, one of the most efficacious ways to improve the present and future living conditions of all people in the United States would be to repeal the urban renewal program as soon as practicable.

Of course, local, state, and Federal governments could do many things to further increase the quality of housing after the urban renewal program was repealed. The basic thrust of this government action should be in the direction of *eliminating* the laws and regulations that are, to a significant degree, throttling the housing market today.

But the main factors that will improve living conditions are (1) increased personal incomes and (2) improved housing technology that will lower housing costs. The greater the degree to which our economy is free of government intervention, the faster this will occur. The details of how this would be accomplished are far too

involved to attempt to discuss here; I hope to say considerably more about it in the future.

#### **'The Public Interest'**

One of the minimal things that any intellectual should be able to do is to define the meaning of the key terms which he uses, and a favorite term used by many of today's intellectuals is that familiar phrase, "the public interest" — alias the public good, the common interest, the consensus, the national interest, the common welfare, etc.

The urban renewal program is often justified as being in the "public interest." As with other things that are justified in the name of the public interest, it is revealing to inquire into the exact sense in which the term, the public interest, is used. "Public" refers to those people (*all* of them) constituting a community, state, or nation; "interest" refers to something which is of benefit or advantage to someone. Literally, then, the public interest would have to be something that is of benefit to all the people.

This is patently untrue with re-

gard to urban renewal; here the benefit of some is always obtained at the expense of others. In today's context, the public interest has become a synonym for declaring that, in the speaker's or writer's opinion, the deliberate, intentional sacrifice of the interests of one group of people is justified by the benefit that accrues to another group of people.

The issue that users of euphemistic phrases like the public interest evade, consciously or unconsciously, is the sacrifice of one man's interests to another's. And they evade for good cause: how far would the proponent of some new idea get if he directly and clearly stated that citizen X should be injured to benefit citizen Y because the proponent feels that the benefit citizen Y receives justifies the injury X suffers?

#### **Concerned with Power**

I have had the opportunity to talk to a number of community leaders in cities where urban renewal was being considered. During these conversations I was particularly interested in finding out why certain people strongly advocated the program, and I was surprised to find a consistent theme running through their off-the-record statements. They were not seriously concerned with the poor people living in the areas

they had tentatively marked for renewal; they were not concerned with any personal financial gain; they were not even very concerned with getting a substantial amount of cash from the rest of the taxpayers via Washington. But they were concerned with *power*.

Again and again — from bankers, politicians, newspaper editors, businessmen, and even religious leaders — I heard statements like these: "Well, I've tried to buy property in that area of town, but the owner won't sell at a reasonable price. Somebody has to *make* him sell at a 'fair' price. Who does he think he is, standing in the way of the whole city?" Or, "We need at least a whole block to do anything worthwhile; we can't fool around trying to buy a lot here and a lot there. Besides some old man may feel attached to property that's been in his family for years. We can't wait for him to die. *We need the tool of eminent domain.*"

In essence these "community leaders" are saying that they have no compunction whatsoever about invoking the police power of the state to accomplish by force what they cannot accomplish by persuasion. If they can't persuade an old man to sell his property, then they will make him sell, and use the strong arm of a healthy policeman to back up their demand. As

one particularly obnoxious editor of a major newspaper put it, "We want to get this done, and we don't care what we have to do to get it done."

### **The Power of Eminent Domain**

The keystone of urban renewal is the power of eminent domain; private property is taken by force, or by the threat of force, for the advantage of others. How many of those who advocate, support, and run the program could bring themselves to do personally what their actions will eventually imply? How many would personally seize an aged couple and bodily evict them, while listening to their cries of protest?

We could ask other questions. What happens to a businessman's sense of justice when he is told that his business is to be destroyed to make way for someone else's business? What happens to the Negro's sense of justice when he discovers that two-thirds of those displaced are Negroes? What happens to a slum-dweller's sense of justice when he is forced out of the home he does have and then is told that he must uphold the laws and not riot? Perhaps one small step we could take in easing the problems of slum dwellers is to stop taking away that little which they do have.

There are many important is-

ues in the urban renewal question, but there is one which is both the most important and easiest to understand. The local government must have the power to take by force the private property of one man — his home, his land, his business — with the intent of turning it over to some other man for his private use and personal gain. It is on the acceptance or rejection of this principle that the fate of urban renewal rests, for without the power of eminent domain local governments could not force people to surrender their homes, their land, and their businesses.

If local citizens are not aware of the deliberate sacrifice of some individuals to the personal interests of others — or worse, if they approve of it — urban renewal will spread. If they are aware of what is going on, do not approve, and take actions that match their convictions, then urban renewal will not continue.

If you have been forced out of your home, if your property has been seized, if your business has been destroyed — then you know more about the consequences of the Federal urban renewal program than any book, article, or speech can tell you. You know that the program is outrageously unjust, but for you, and a million others in the same position, it is

The vast majority of [the people] are opposed to the means employed to gain the ends of urban renewal. But even today very few people know what is happening.

likely that nothing will be done to rectify this injustice.

### **Prospects for Victory**

But if you are *threatened* with the prospect of being "renewed," there is an excellent chance of defending yourself — *if* you are willing to spend some time learning the facts about the program, and *if* you have the courage to speak out in public for what you think is right. Your ammunition is knowledge of how the program works and what it does. Your weapons are any means by which you can communicate this knowledge to others in your community.

From conversations I have had with many people throughout the country, I am convinced that the vast majority of them are opposed to the means employed to gain the ends of urban renewal. But even today very few people know what is happening. A few articulate people — who somehow never can bring themselves to mention any of the strong-arm tactics that are necessary — have portrayed urban renewal as the program that will "save" the cities.

In view of the skillful, extensive

propaganda for urban renewal, it is understandable how many busy, influential people who could have checked the program have accepted what has been said about the program at face value. Many have even committed themselves publicly on this issue, and now, even though they may have developed doubts about the program, hesitate to recant for fear of appearing foolish. But men can make honest errors of judgment. It is no reflection on a man's character to acknowledge a previous error in the light of new information; it *is* a reflection on a man's character if he persists in his error.

One of the most dangerous threats to urban renewal is widespread knowledge of its nature. As a director of one of the largest urban renewal operations in the country once remarked to me, "The only thing urban renewal can't stand is publicity."

Today many people feel that it is useless to try to fight "city hall" on something as big as this, and the proponents of urban renewal desperately hope they will continue to feel this way. The initiation of an urban renewal program is es-

***Many urban communities have rejected urban renewal in the last four or five years, but it has never been rejected without at least one person in the community taking a stand against it.***

essentially a function of the local government, and until the opposition grows to the point where congressmen will act, the only practical way to stop it is on the local level. Many communities have rejected urban renewal in the last four or five years, but it has never been rejected without at least one person in the community taking a public stand against it.

#### **The Fort Worth Case**

Let me give you a recent case example. On April 12, 1966 there was a referendum vote on urban renewal in Fort Worth, Texas. Fort Worth is the thirty-fourth largest city in the country, and is perhaps the largest city to date that has brought the matter directly to the voters. In Fort Worth there was widespread support for the program among the city's leaders.

If there is such a thing as an "establishment," virtually the entire establishment came out strongly in favor of urban renewal. The Mayor was for it, all the city councilmen (except one) were for it, the Chamber of Commerce was for it. The newspapers

editorialized for it, and large real estate developers flew in and threatened to ignore Fort Worth in the future if the citizens did not approve urban renewal. Special committees were formed, and tens of thousands of dollars were spent promoting the program.

To almost everyone it was a foregone conclusion that urban renewal was coming in. Nevertheless, a small group of people stubbornly decided to fight the program on principle. Sparked by the local Buick dealer, they formed the Citizens Committee for the Protection of Property Rights. They were convinced the program was wrong and set out to present their case to the public.

First they learned as much as they could about the program — what the law is, how it works, who would lose their homes and businesses, how much money it would cost, where the money would come from, and so on. Then they started an educational campaign.

They set up an informal speakers' bureau and addressed local social gatherings, civic organizational functions, and business

luncheons. They presented the facts and answered questions.

They compiled lists of voters, wrote and mimeographed letters, sent for reprints of articles on urban renewal, and then mailed the letters and articles to the voters.

They tape-recorded short messages, bought radio time and broadcast the messages; they wrote short newspaper ads and ran them in the local papers.

They attended urban renewal meetings, they asked questions; they contacted their local representatives in person, they wrote to the Mayor, and they wrote letters-to-the-editor.

They called their friends, and they got offers of volunteer help and donations of money. They visited nearby towns, talked to people who had experience with urban renewal, and found out firsthand what happened when the bulldozers moved in. And then they went back and did what they had done before all over again.

The election took place on a Tuesday, and they engaged me to fly down from New York to address a public meeting the preceding Friday night. Four hundred people attended. Before I left I taped a half-hour television speech for them; by this time enough people had become concerned so that contributions to their cam-

paign were sufficient to buy a half-hour of television time on both Sunday and Monday evenings.

I left Fort Worth on Saturday, and the general consensus, with which I agreed, was that the propaganda guns for urban renewal were just too big, and that it was almost certain that urban renewal would come to their city. These feelings were confirmed on Saturday when the Mayor announced the results of a poll made by a professional organization specializing in opinion research. The poll flatly predicted that urban renewal would be approved by a substantial margin — but only if there was a very heavy turnout.

#### **Overwhelmingly Rejected**

On Tuesday evening, city election officials commented that the turnout of voters was very heavy; the City Secretary predicted that approximately 24,000 people would vote.

But something happened on that Tuesday in Fort Worth.

On Wednesday morning the tally showed that 47,545 voters had gone to the polls and 38,397 (over 80 per cent) had voted *against* urban renewal. The number of people voting was double what anyone had expected, the urban renewal proposal was defeated by a resounding 4 to 1 margin, and de-

***If there is anything that would strike fear into the minds of urban renewal proponents, it would be an outbreak of locally organized, articulate opposition to local renewal programs.***

feat was overwhelming in virtually every precinct. A handful of amateurs had taken on a group of highly organized professionals and won.

I, and perhaps everyone else who had followed the campaign, was surprised, but perhaps we should not have been. The average American citizen is a very intelligent, thoughtful person — once he knows the facts.

If there is anything that would strike fear into the minds of urban renewal proponents, it would be an outbreak of locally organized, articulate opposition to local renewal programs. The local referendum vote has proven to be the most successful way to fight urban renewal, perhaps because it brings the major issues out in the open for public discussion. Unfortunately, in some localities referendum votes are not possible, and then the only recourse is to the elected officials. However, a bill is now pending in Congress that would make a referendum vote mandatory on any renewal project.

Of course, there is always the possibility that a majority of the

voters will vote to gain at the expense of the minority, and their approval will not make the program right. However, until the program is repealed at the national level, a local referendum vote is a potent weapon.

#### ***Resist on Principle***

One of the standard ploys of the proponents of urban renewal is to assert that the program is "here to stay," and that the only possible course of action is to figure out the most advantageous way to collaborate with the program. This is doubly unfortunate — first because the assertion is not true, and second, because the act of acquiescing in principle to the program is what makes it possible.

Urban renewal has been rejected by at least 70 towns and cities that I know of, and unquestionably many more will reject it in the future. What the advocates of urban renewal programs dread the most is opposition to the program *on principle*. With the cunning of any seducer, they know that if you will agree to just *one* instance of forcing a person from his home, to just *one* instance of seizing

someone's home and land, to just *one* instance of closing down someone's business, they can then, at their leisure, use the principle you have implicitly adopted to force you into accepting its wider and wider use.

Once you have agreed in principle that it is all right to harm just *one* man in the name of helping the "community," you have lost and you cannot effectively object to anything done in the name of urban renewal. Inexorably the logic of your position will be extended to cover more people, more homes, and more businesses. And, once committed, you can only change your position by admitting your earlier error. Unfortunately, most people, particularly those who have committed themselves in public, are loathe to retract.

But to those that have not given in on principle, and to those who are willing to reconsider their position, the possibilities of successfully opposing any local project are surprisingly high. Virtually all urban renewal projects now in existence got there without the local citizens knowing very much about it; dimly aware that the proposed urban renewal program was somehow going to get rid of ugly old buildings and create new ones in their place, and being very busy with their own affairs, they casually condoned it.

### **Motives Are Suspect**

Until now I have always given proponents of urban renewal the "benefit of the doubt," and have rarely questioned their motives or their morals. I have accepted their assertions that they are sincerely concerned about people, that their intentions are to improve the living conditions of the poor, and that the tragedy and suffering caused in the process were not foreseen by them.

But 17 years have now passed since the program started and everyone connected with it knows exactly how it works. The excuses have worn thin; the earnest assertions have lost validity, and the credibility gap in urban renewal is very wide. Increasingly, I find that my criticisms of the program draw the whining reply, "But the program was never *intended* to improve the housing conditions of the poor slum areas — the *real* purpose of urban renewal is to rebuild the city. It's not fair to blame *us* for what's happening." When pressed on what *is* happening to the displaced people, they either evade or retort revealingly, "Look, some people are always going to be hurt, that's the way it is."

The fact is that every intelligent, knowledgeable proponent of urban renewal is willing to deliberately hurt innocent people, most

of them Negro and poor, for the sake of contemplating and enjoying a few new bricks, a little grass, and some shiny glass. They will protest that they don't like to do it, that they are trying to ease the pain as much as possible, that they wish there was something else they could do — *but they will do it.*

Too much is now known about urban renewal to make allowances; the proponents know what they are doing, and we should take their actions at face value. Perhaps it would be wise to recall an old legal maxim, *acta exteriora indicant interiora secreta* (outward acts show the inward intent).

### **Increasing Resistance**

More and more people are becoming very concerned with the consequences of the urban renewal program, and many of them are speaking out. On April 14, 1966 members of the United States Commission on Civil Rights investigated Cleveland, Ohio, and charged that urban renewal and other Federal programs were major *causes* of the despondency and decay that exist in one area there. The area, incidentally, was Hough, which later in 1966 was marked by brutal rioting.

One well-known member of the Commission, Rev. Theodore Hes-

burgh, the President of Notre Dame University, condemned the program as immoral. He was quoted in the *New York Times*<sup>1</sup> as saying, "In these Federal programs to rebuild the cities what has happened is that people in the worst condition find their houses bulldozed from under them. *The total program is immoral.*" [My italics]

Urban renewal is a vast program, and it is sometimes difficult to understand its impact on a single person's life. I have included below some excerpts from one of the many hundreds of letters I received since the publication of the book. This particular letter was sent to President Johnson, and I received a carbon:

March 28, 1965

My dear President Johnson:

The Federal government seems to be taking a firm stand in defending the human dignity and the human rights of American citizens in most areas of "the Great Society," but I have yet to hear anything about the dignity and rights of the small homeowner whose property lies in the way of urban renewal and who consequently is being victimized, destroyed even, by an immoral concept of the law of eminent domain.

I am a school teacher with a ninety-two-year-old father who is dependent on me. Dad was ninety-two last February 25. Since he is crippled,

<sup>1</sup> *New York Times*, April 5, 1966.

The main issue before us is not how to help a person who has been hurt by urban renewal, nor is it to figure out ways by which his pain can be alleviated—it is to determine how this pain can be avoided.

having sustained a broken hip just two years and nine months ago, and is blind of glaucoma . . . he cannot be left alone while I am at work. The only reason I can afford to give him the nursing care he requires is that we own our home here . . . *free and clear.*

The city wants this house in which Dad has lived for forty years and more. Or rather the university wants it and, under the guise of the law of eminent domain, is demanding it. For nearly five years now since the whole idea of urban renewal was conceived, it has seemed to me that I have been living in the U.S.S.R. rather than in the U.S.A. I have been harassed and terrified both at home and at work by telephone calls and threats including a court summons from City Hall because I refuse to admit anyone who threatens this home which my father has provided for himself through his own industry against the old age and infirmity of which he is now a victim. At one time, my attorney, whose aid I had to enlist, had all he could do to prevent City Hall authorities from sending a police wagon to my school to haul me off to court. . . .

In addition to all this harassment

and persecution by City Hall in the last five years, we have been subjected to the noise and filth of the demolition of six to eight houses directly across the narrow street from our home, and we have been terrified and terrorized by all the vandalism and hoodlumism that accompany a demolition. Now a university parking lot has been completed on the site of the demolished homes. We endured that, too. Temporarily we are having a little respite from the noise and dirt and confusion of tearing down and rebuilding, but the harassment and persecution by City Hall have resumed. I am stalked periodically in my own driveway when I get home from work by so-called "inspectors" who demand entrance into my house. So far I have been able to keep them out. Mimeographed notices from "your relocation counselors" have been shoved under my front door, ordering me to call such and such a number or else.

Now I ask you, Mr. President, what do I, a teacher of more years than I care to say, a . . . University graduate, a Phi Beta Kappa (judging from some recent appointments of yours you seem to set great store by these

**No government program should exist that threatens the life, the liberty, or the property of any person.**

letters), with a year's graduate work at Yale University, need with a relocation counselor? Just because I am poor by your standards does not mean that I am an idiot. Nor do I appreciate it when your aforementioned City Hall officials add insult to injury by suggesting that for \$12,500 they feel justified in uprooting an old man from his home and in destroying a way of life for his daughter.

I just want my rights and my dignity recognized. . . .

### **Avoiding the Damage**

If we are concerned sincerely with the well-being of individuals, the main issue before us is not how to help a person who has been hurt by urban renewal, nor is it to figure out ways by which his pain can be alleviated — it is to determine how this pain can be avoided.

All other questions, such as — How can home owners and small businessmen participate in so-called renewed areas? Should displaced people get increased Federal aid? How can people be forcibly displaced with the least suffer-

ing? — stem from the implicit acceptance of the idea that there is nothing wrong with forcibly pushing people around in the first place.

Anyone who is for an urban renewal program must also be for, at the same time:

- The forcible displacement of millions of citizens from their homes.
- The seizure of one man's private property for some other man's private use.
- The destruction of hundreds of thousands of low-rent homes.
- The spending of billions of dollars of the taxpayers' money.

This kind of a program is not logical, it is not practical, and it is not moral. For no government program should exist that threatens the life, the liberty, or the property of *any* person. No person, no matter who he is, should be sacrificed for the esthetic pleasure or personal gain of anyone, no matter how educated, how rich, or how powerful. ♦

# The Effect of Liberalism on the Campus

JOHN A. HOWARD

AS the central government increases the range of activities which it plans or regulates and conducts or subsidizes, there is a corresponding decline in the initiative in the decision-making and in the acceptance of responsibility by lower levels of government, by private industry, and by individuals. This accelerating transfer of power and action is, in my opinion, grievously destructive of our form of government, our economic system, and the character of our citizenry.

There are many agencies working in behalf of this transfer of responsibility to the central government, but probably the most influential is the academic commun-

ity as it conditions the thinking of the younger generations and as its prevailing attitudes are extended through speeches, articles, and consulting services.

It seems to me that those who are concerned with the erosion of individual initiative and the growing limitations on private enterprise need to turn their attentions to the colleges and universities as a prime generating force of collectivism.

These attentions need to follow several paths. First, there should be a careful analysis of the accuracy of the present assertions. Second, to the extent that institutions of higher learning are heavily weighted or wholly dominated by a philosophy of public as opposed to private responsibility, a concerted effort should be made

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Dr. Howard is President of Rockford (Illinois) College. This article is reprinted by permission from *New York State Taxpayer*, January, 1967.

to persuade such institutions to appoint to the faculty and in other ways bring into the educational process, people who have faith in the powers and the consequences of private initiative. Third, those few colleges and universities where the voices of individual responsibility are forthright and public should be provided with the financial resources to become at least as powerful as their sister institutions which are militant factors for collectivism.

***How Private Enterprise  
Encourages Collectivism***

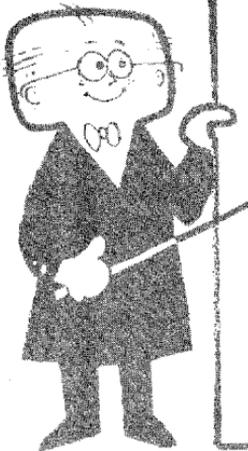
It is a great irony that individuals and corporations whose incomes are earned through the private enterprise system continue to support colleges and universities which are in fact, if not in intent, undermining that economic system. On many campuses, the attitude prevails that profit is a dirty word.

The irony is compounded because it has taken generations to bring educational donors to a rec-

ognition that the effectiveness of the educational process depends upon the freedom of the academic staff to conduct their work free of pressures from the donors. The introduction of massive Federal funds on the campus has radically changed this circumstance. The Federal government exerts an enormous influence on the educational process. In many ways, the government serves its own ends and adds to the pro-government, anti-private-initiative bias on campus.

The Federal involvement in education has reached such proportions that it is unlikely that a major university can, without sacrifice, select a president who does not have extensive personal contacts with Washington officials and who does not maintain their friendly confidence.

In the present situation, the few institutions that do stand on the principles of individual responsibility are allies of the most critical importance to those who would preserve private initiative. ◆



# The Dispensation of Teaching

MAX S. MARSHALL

IT IS TIME to review all usage of drugs, not just a few which are popularly discussed or those used by physicians. Notables continue to advocate the use of drugs, a bias to which many undrugged persons object. Along with increasing numbers of products which affect the mind, a schism is developing.

Eve was invented a long time ago. If you doubt that she affects the mind, you may be in for an argument from a lot of advertisers and makers of movies. Alcohol goes a long way back in history, too. It is one of the few

survivals which ultrasophisticated modernists do not scorn because of its antiquity. Athletic events, symphonies, and parties are drugs to many persons. These examples suggest that a preliminary survey of drugs on a scale broader than usual is essential if we are to reappraise the whole matter in search of a little undrugged sanity. Let me cite an important example.

A drug with which society is tremendously preoccupied is called *Teaching*, the trade name of a drug extracted from members of the botanical genus, *Paedagogus*. A glance at that segmented tax dollar that appears in the papers annually will show the huge size

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Dr. Marshall is former Chairman of the Department of Microbiology of the University of California Medical Center, San Francisco, with 38 years as a teacher.

of the sector which goes to schools. Vast sums which are not part of the labeled tax dollar also go to schools. The nearest rival in popular usage is alcohol, but *Teaching* comes first on my list of drugs.

A drug is a substance used deliberately to affect the physiology, including the mind. That is why *Eve* and *Teaching* both qualify. *Eve* operates out of pure deviltry, but *Teaching* is purchased with tax monies in countless case lots to use on whole groups of minors. The grip that drugs have on us and our rationalizations of their use are equally shocking.

*Teaching* is purposely bought to affect the minds of those who take it. Its toxic effects are many and uncertain. It is hallucinogenic, and can produce a lasting euphoria, though usually this effect ceases soon after the next examination. *Teaching* is frequently used in heavy overdoses, for control of the dosage is notoriously difficult.

Furthermore, the popularity of *Teaching* attests to the fact that it is habit-forming. Though newcomers to this drug are likely to show marked resistance to its use, when taken they are more than ordinarily susceptible to its effects. Later users become so addicted that they expect everything to be dispensed in courses in schools.

There is much talk about drug

addiction in the form of adult education. Seriously afflicted addicts are always enrolling under a teacher somewhere. Even tough industries and businesses have been so infiltrated by users of this drug that they call for ever-increasing amounts of it for those they hire. Employees are even urged to go back now and then for more be-ins with the drug.

Unnoticed in the face of the dramatic and less subtle use of alcohol, this shocking adulation of a drug deserves a careful study. Space permits no more than a suggestion of what is needed.

#### **Research Possibilities**

The first move should be a matter of public relations, for *Teaching*, though one of our most common drugs, is not yet recognized as such. Since it pours funds willingly into all phases of schools, no doubt a grant could be secured from the government for this task.

Pharmacologic studies come next. Such studies consider the nature of the drug, its physiologic effects under different dosages, including its toxicity and the lethal dose, and the mechanism whereby the effects are produced. All these are directly applicable to the drug, *Teaching*. Our interest in drugs is primarily in connection with man, so we have to distinguish

carefully between beneficial doses and toxic or lethal doses. Such ranges exist for virtually all drugs.

Applying the principles of study specifically to *Teaching*, three problems dominate. First, the distinction between beneficial and toxic dosages is precarious, not sharp as it is with alcohol, for example, though debates about beneficial doses of alcohol have also been known to occur. Second, as with all hallucinogenic drugs, the toxic doses offer special difficulties because effects on the mind are measured primarily by behavior, an uncertain and complex yardstick. Third, the mechanism of action is obscure, as it is with many drugs.

Sociologists will be quick to underscore a fourth problem, and well they might. They are concerned over the effect of any drug on society, and all of them, *Teaching* included, have such effects.

### **Earlier Experiments**

A few illustrations may help to illustrate the need for a complete investigation. Consider the manner by which Hitler and other dictators have used *Teaching*. Whole nations of youth were deliberately given toxic doses, that their minds would perform in accordance with someone's wishes. Similar usages exist today. Under

the same sort of influence, the drug is also used outside of schools, in all forms of propaganda from nationalism to notionalism, in politics, in advertising, in merchandizing, in administration, and wherever one person or group wants to impose the chosen desires or ways on others.

Recently an eminent spokesman for a large educational organization advocated that teachers take a greater part in politics, thus deliberately pushing the use of this drug, *Teaching*, into the realm of toxicity and habit. Teachers, who administer *Teaching* as licensed practitioners, like the rest of us have religious and political beliefs and also preferences in bridge partners and in salads, but the deliberate use of position to foist these preferences on others is an almost fiendish use of the drug. If doses called beneficial mean anything, they imply that those who partake are given a basis for their own judgment, not fed doses which make them passive.

The advocates of such dosages are so evidently operating on the belief that they are entitled to dominate others that the toxic levels used would seem to be conspicuous, but the danger passes unseen. This air of special wisdom is especially evident among some

of the men who are employed as drug-dispensers of political science. Instead of requiring that they either dispense beneficial doses impartially or that they step entirely out of the scholarly roles they claim, they are allowed to step into the open and campaign for their special choices, thus dispensing toxic doses of *Teaching* indiscriminately to the unprepared and unwarned.

We might suppose that teachers who dispense small doses of *Teaching*, perhaps that three and two are five, or that assorted squiggles can be used to represent the oomphs and gurgles we use to convey messages and ideas to one another, might never border on the dangers of toxicity. To accept this supposition too literally gives a false sense of security.

### **Forming the Habit**

Whereas a number of modest doses of *Teaching*, like vitamins, are necessary for full development, a careful study will show that no *Teaching* can be administered without some risks from the drug. Among those with allergy, even death may occur. Both by definition and by act a teacher imposes his or her will on the taker of the drug, a process which upsets the mental activities of the victim. To be sure, strong minds will accept the benefits without

loss of independent operation, but by no means all minds among the takers are strong. Since strong minds exist also among the dispensers of *Teaching*, domination and acceptance on a passive basis is a notably common occurrence. *Teaching* then reaches excesses and may become a habit.

We face a drug which, though it is necessary to prevent a sort of mental beriberi, is subjected with many other drugs to tremendous exploitation and excessive usage, with all the claims, self-pity, and rationalizations that account for the sale of more than half the pills in the nearest drug store. A drug notably low in its threshold of toxicity, with definite habit-forming proclivities and with a grave social menace, can call for only one reasonable course of procedure.

*Teaching* is a dangerous drug, but it is essential. Though strictly a hallucinogenic drug, affecting the mind, the mind does control our acts. With a low threshold of toxicity, the drug has widespread social connotations. It is a drug which is in some degree used almost universally, but which is concentrated in schools more than elsewhere.

In schools and on campuses, dispensers of this drug carry licenses from society, in the form of employment and titles. The more ad-

vanced the title, the more dangerous the drug, potentially and too often in fact. Professors attain a feeling that whatever they dispense is for that sufficient reason beneficial. This supposition is verified by ample evidence, most simply by the fact that professors disagree among themselves more than most groups, thus proving that the dosages prescribed by any one of them needs at least some counterbalance. In itself, the assumption of such wisdom should warn society sharply into action.

***Protective Labeling and  
Licensing May Be in Order***

Studies of the drug, *Teaching*, are certain to lead to the conclusion that our practitioners who prescribe so much of this drug, our teachers, need to be kept under careful surveillance. The idea that this drug increases its benefits the more it is taken is as false with *Teaching* as it is with aspirin or sleeping pills. Beneficial doses lead to independent operation, without the drug. Otherwise the drug is too heavy and the user becomes a passive addict, a social pawn, a slave to his political party, a puppet in his religion instead of a believer, a subscriber equally

to charity and to the wiles of the con man, and a swallower of all statements positively put.

Heretofore not clearly labeled as a dangerous drug, this drug warrants open criticism, warning, and action. Its use must be held at a low level with special care to balance the enthusiasm of doctors who prescribe the drug, the indoctrinators of the classrooms, for every form of *Teaching*, however mild, consists of the administration of a hallucinogenic drug.

Once this idea is exposed, then every form of the drug, *Teaching*, outside of schools and campuses as well as inside, quite properly will meet with some resistance. Those who partake of only beneficial doses of this drug become judicial and to that degree skeptical, preserving their own minds in good order to make reasoned decisions. They drive carefully. Only such persons can be called educated persons.

Come to think of it, since the presentation of any idea is a form of teaching, these words contain some of the drug. Consider them to be equivalent to the warning message on a pack of cigarettes, except that the danger is notably more serious as a risk. ♦

# A SEARCH FOR REASON

JEROME TUCCILLE

IN AN AGE when rioting, hunger, racial warfare, exploding population, crippling strikes, and general disorder have become the rule rather than the exception, it is a curious thing to consider that the responsibility for these destructive social diseases is most frequently attributed to a single universal scapegoat: the capitalistic system. It becomes even more curious when we consider that these accusations are made daily, not only by the political leaders in Moscow, Peking, Havana, and Eastern Europe, but by most of the leading officials right here in the United States. We have accepted the basic premises of those who would destroy free enterprise all over the world and, instead of refuting their arguments with logical philosophical convictions of our

own, we proceed to apologize for our wealth and explain that we really are getting more "progressive" every day and intend to share our prosperity with the "underprivileged" of the world.

When we are told that millions are starving in India while we "selfishly" enjoy our automobiles, refrigerators filled with food, private homes, and other luxuries, what do we reply? Do we say that these people are victims of a crippling religious heritage that can be traced back to the Stone Age, a philosophical tradition that teaches them to hate the world and withdraw from it, and that starvation is the logical end of such a heritage? We do not. We accept the premises of our accusers, apologize for our prosperity *as if it were at the expense of those who are going hungry*, and export

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tons of food instead of *ideas* which are most urgently required.

When we are told that capitalists are greedy moneygrabbers who exploit the poor, do we reply that in nineteenth century America the industrial revolution brought forth more enlightenment, advancement, individual freedom, and economic prosperity than the world had ever known before? Do we say that without the industrialists, the men who built factories and offices and created jobs for others, the average worker would be forced to waste his labor grinding wheat or hammering out horseshoes as he had for centuries past? We do not. We tell the world that we intend to police the greedy tendencies of the capitalist, handcuff him with government regulations, and tax him out of business.

When we are told that the unemployed demand a guaranteed income, do we ask *whose* income they wish to have guaranteed to them? Do we reply that welfare is not a career or a way of life, but rather a temporary expedient to enable the unemployed to live until they find a job? Do we reply that wealth is created by a producer and belongs by right to the man who created it, not to someone else who *demand*s it because of some temporary need? We do not. We ask instead *how much* should we

guarantee and what is the most efficient way of raising it, without giving a thought to the producers who are victimized by such a system.

When we are told that our cities are getting too crowded, do we reply that people have no right to bear children they cannot afford to feed? We do not. We offer bonuses to parents with illegitimate children and are talking now about living allowances based on the size of the family. In other words, we complain about the population on one hand, and then reward large families on the other. This is an example of Orwellian doublethink at its most ludicrous level. On overcrowded Manhattan island the politicians respond to the problem of overpopulation by creating one of the most attractive welfare systems in existence anywhere—and then wonder why they have so many hungry people to feed. They allow men who make their careers in welfare (a career which depends upon the hunger and helplessness of others for its very existence) to make crucial decisions. Do they actually expect these people to make decisions which would eliminate *their own* jobs?

When we are told that capitalists are responsible for the wretched condition of the Negro in America today, do we tell our

accusers to check their basic arguments? Do we tell them that it is not capitalism that has exploited the Negro, but rather those who deny the benefits of capitalism to the Negro who are most responsible? We do not. We shake our heads guiltily, accepting the premises of those who would destroy free enterprise and replace it with communism, socialism, or the welfare state. In other words, we give sanction to those who seek to destroy us.

When those who advocate free enterprise, individual self-reliance, and limited government are maligned as "right wingers," do we reply that a philosophy of freedom has no more in common with the extreme right than it does with the extreme left? Do we explain that autocratic government is just as evil whether it is run by a Hitler or a Stalin? We do not. We accept the definition, thereby giving respectability to those who wish to identify capitalism and free enterprise in the same category as fascism and neo-nazism.

It is becoming increasingly more apparent that a philosophy of the

left (in all its shadings, from communism to the welfare state to the "mixed economy" concept) can only be successfully fought by a positive philosophy of freedom. Ideas must be fought with other ideas, not emotions. It is not enough to know *what* one believes in, it is equally important to know *why* one holds certain convictions. An attack against a position is best met by a strong counterattack, whether the battle is one of physical force or the force of opposing philosophical and economic ideologies.

Clearly, it is time for each one of us to examine basic premises. It is time to re-examine our convictions and delve into the underlying reasons for them. Most of us know what our opinions are; it is just as important to discover where these opinions came from, what are the fundamental moral and philosophical premises on which they are based. It is time to stop fighting a defensive battle against leftist ideologies and turn the tide back with a strong show of clear, rational, carefully considered ideas. ♦

## **Worth Through Work**

WHITING WILLIAMS, the author of a challenging and charming book which bears the somewhat enigmatic title of *America's Main-spring and the Great Society* (Frederick Fell, \$5.00), is eighty-nine years old, which, for a publishing writer, must constitute a record of sorts. Far from succumbing to normal octogenarian garrulity, Mr. Williams is a gaffer who distills wisdom. In his younger days, as a nonacademic sociologist, Mr. Williams used to spend a good part of his time disguised as a common laborer. He worked in coal mines in Pennsylvania, Wales, the Saar, and elsewhere; in steel mills here and in Britain; and in railroad yards and along the docks. During the depression of the thirties he camped out in flophouses. His effort, everywhere, was to find out what the working man and the "underprivileged" really thought.

What he learned is that most

men, if uncorrupted, have an innate desire for "worth through work." People want money, of course. But even more important than money is self-esteem. Mr. Williams discovered this in the most unlikely places; even the Skid Rows in which he lived had their hierarchies of worth, reserving the name of "Scissorbill" for bums who were completely unproductive. The hobo, so Mr. Williams learned, rates himself above the tramp; the tramp in turn considers himself above the scissorbill. "We 'boes," so the Secretary of the Hoboes Union told Whiting Williams, "are migratory workers, itinerant laborers! If we don't hop from the Northwest lumber camp in the winter down to the Oklahoma wheat fields in the summer — and get there on time, mind you — w'y, crops go to waste . . . So we 'boes have to take the train — 'thout

payin' no fare, of course. But a tramp! . . . He walks from job to job — 'cause he don't give a damn whether he gets there or not . . . But don't never take a tramp for a bum! He neither rides, nor walks, nor works! He's a no-good complete."

Investigating life among the bums who were lower than the tramps, Mr. Williams found the need for esteem struggling to keep itself alive even at the very bottom of society. For example, no really self-respecting bum would ask for his portion of mulligan stew without contributing a single sandwich to the collective dish.

#### **A Timely Message**

Since Mr. Williams' experience dates back to pre-Great Society days, his description of "America's mainspring" as the "wish for worth through work" might seem outmoded in its substance. He himself recognizes that he may have written a book about the American world as it used to be. But the Great Society is, actually, merely a continuation of the New Deal, and Mr. Williams saw in the thirties how the "mainspring" of seeking "worth through work" could be badly bent by the practice of giving government relief to people without requiring them to do anything to earn it. Men, so Mr. Williams insists, are not

born to be "scissorbills." But, as he says, "we also know this — how easily we can become scissorbills!" All that is necessary is "to adopt the bum's scapegoats and false reasoning for side-stepping responsibility while adjusting to the crisis' challenge instead of mastering it." Mr. Williams fears "the welfare state's increasingly generous gifts," not because he likes to see people hungry, but because he knows the story of the Florida coast town where, after the shrimp boats had taken their operations elsewhere, the seagulls were found to be starving because they have forgotten how to live off fish.

#### **Lessons from the Marshall Plan**

Though Mr. Williams hasn't investigated life in the so-called ghettos in the nineteen sixties, the relevance of his book to the contemporary situation is obvious. A government can't encourage "expectations" and expect quiescence. If the expectations aren't related to the opportunity for work, the multiplication of scissorbills will soon defeat the effort to combat poverty through government programs. We are now hearing about the necessity for a "Marshall Plan" for the American cities. But if a "Marshall Plan" is only money, it merely delays the time for a final reckoning.

Money, if it inhibits the growth of the self-help philosophy, is worse than useless.

Some of Mr. Williams' experience dates back to the period of the Marshall Plan in Europe. The money we exported immediately after World War II moved into a community where skills were waiting to be put to work. But Mr. Williams finds the export of needed funds to Europe was less significant than "the export of our unique respect — indeed our reverence — for productive usefulness." In the ancient feudal Europe, it was only through politics, not useful work, that a commoner could hope to rise. This tradition had hung on in Europe up to World War II. "Even in France and Britain," so Mr. Williams writes, "the aspiring commoner has long had to seek distinction less by the ladder of work than of politics." The sight of America's "economic missionaries," even those with advanced university or technical degrees, working with their hands had more effect on Europe than the Marshall Plan money. And to the extent that the Peace Corps is effective, it is through this spectacle of willingness to tackle jobs.

In Saudi Arabia, Mr. Williams notes, our engineer-managers have had trouble explaining the facts of industrial life to people who have considered that work is for

slaves. But when desert nomads are turned into skilled drillers, refiners, and transporters of oil, "the dynamics of expectation" are transformed. Commoners discover they can hope to "climb to honor" through useful work as well as through politics.

The worst thing about the Great Society is the way it has increased the growth of self-pity. This is at the crux of Mr. Williams' worries about our future. The older America which he knew, whether it was the America of coal mines and steel mills or the America of flophouses, indulged very little in "the sin of self-pity."

### ***The Road Back to Self-Respect***

How are we to get "America's Mainspring" to working again? Mr. Williams lists the obstacles that stand in the way of a return to the older verities. He fears that in the Great Society "more recognition and honor will go to elected managers as the distributors of gifts and less to the producers of goods and services." And, since "leaders dependent on votes" prefer to deal less with individuals than with manageable groups such as "farmers, wage-earners, the sick, the elderly, or whatever," the individual's work-based "Expectation Quotient" will be sacrificed to his "collective security—or, as in Europe, to his

political career." Relief appropriations, so Mr. Williams observes, must be handled with almost supernatural wisdom or they end up by discouraging industrial productivity as "smart group wangling" takes over. The welfare state tends to cannibalistic consumption of its own taxpayers. Meanwhile, since the incumbent officials are in a position to promise most, the tendency is toward perpetuation of one-party government. This one-party government, finding it more and more difficult to raise taxes, goes in for perpetual inflation. To preserve its

sovereignty against increasingly "dangerous" criticism as the inflation strikes home, government is then tempted to expand its control over communications and opinion.

And so we go to perdition. Mr. Williams is reminded of the kind-hearted man who, when his dog begged a bite of meat during a terrible famine, gave the animal a juicy slice of its own tail. This is what the welfare state comes to in the end, once the "main-spring" of "worth through work" has been snapped. ♦

## THE FREEMAN

on Microfilm

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- ✓ A visit to the local Welfare Office could tell us much about how freedom is lost, suggests newsman N. C. Christensen .....p. 643
- ✓ Or, visit the campuses, as Ralph Bradford has done, to know what is being dispensed there under the labels of economics and political science .....p. 647
- ✓ For contrast, retrace with Edward Breese, the origin and development of an earlier and strictly homemade great society off the shores of Massachusetts .....p. 656
- ✓ Unfortunately, it is necessary to keep on explaining and trying to combat the harmful consequences of the political propensity to inflate....p. 662
- ✓ Dr. W. M. Curtiss critically examines various theories of taxation and comments on current practices .....p. 674
- ✓ Anne Wortham is an individual before she is a Negro, and respectfully requests that we let her keep it that way .....p. 679
- ✓ And FEE's prolific author of **Deeper Than You Think**, among other works, here delves into basic realities .....p. 683
- ✓ To the anonymous writer of the **Monthly Letter** of the Royal Bank of Canada, we are indebted for many helpful suggestions on the importance of self-discipline .....p. 688
- ✓ The much-touted "mixed economy" is no stopping place, thinks Melvin Barger, but merely a milepost on the downgrade into socialism .....p. 697
- ✓ Though spun from the same wheel of **Fortune**, reviewer John Chamberlain now shares none of J. K. Galbraith's interpretation of **The New Industrial State** .....p. 701



A MONTHLY JOURNAL OF IDEAS ON LIBERTY

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## HOW *LEANERS* LOSE THEIR FREEDOM

SOMEONE has said that when you ask for help, justified or not, you surrender some part of the right of self-determination. Dependency feeds on dependency until the will to rise above imposed power fades and freedom is lost. Almost daily the reality of this statement is confirmed.

When a community project encounters rough going, somebody usually jumps up and wants to appeal to "the government" for help. This has become so common that such a proposal is expected in public meetings and in sessions behind closed doors. Perhaps we are becoming child-like in our faith, expecting that no matter how naughty we may have been, "Daddy will pull us out of the mess."

There is no mystery in this

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Mr. Christensen, experienced newspaper editor and reporter, advertising executive, and former Army officer, currently does free lance writing from his home in Spokane, Washington.

growing attitude toward the privilege of acting for ourselves. Instead, we have been taught to look with paternal reverence to "the government," to the White House, to the Congress, or to the relief agency with offices just around the corner from where we live or work.

Can it be that we have entered an era in which self-reliance is going out of style and in its place dependency is becoming the accepted thing? Judging by what is transpiring, one fears that such is the case and that the trend, unless checked, may eventually dim the lights on the Statue of Liberty.

Not long ago I attended a public meeting in which community improvement was discussed. The first question from the floor was a reasonable one: "How do we pay for this?"

An alert citizen had a quick an-

swer: "There must be some way to get the Federal government in on this. This program must be covered by one of the Federal agencies. Find that agency and we'll have it made."

One courageous soul protested against opening the door to Federal participation. He was all but hooted down, despite his years of experience and the fact that he had pumped life-blood into two or three dying industries, had built a small industrial empire of his own from a back-yard beginning in private enterprise and was now employing hundreds of men and women and, through heavy taxation, was contributing to the development of his community, his state, and his country and helping to meet the spiraling costs of these governmental units.

The disheartening note in this demonstration was the manner in which this advocate of free enterprise was frowned upon by his fellow citizens, including some of his own employees, and how the vociferous champion of a "generous, big daddy" government was cheered and supported.

### **Sink or Swim**

We have projects today, including a war on poverty, which seem to be achieving at least one goal. Supporters of the war on poverty succeed in uncovering hidden areas

of poverty but seldom do they expose the areas of vast undeveloped opportunities in this resourceful land.

Seldom do we hear of more people rolling up their sleeves and digging in to solve their individual problems in the way that the pioneers of this choice land uncovered the wealth that we now enjoy. Work, toil, sweat seem to be definitely out of style. Yet, there still exists a solid core of old-fashioned citizens devoted to thrift and industry; many of these are young in years, but they have vision.

The late President James A. Garfield once remarked: "Poverty is uncomfortable, as I can testify; but nine times out of ten the best thing that can happen to a young man is to be tossed overboard and compelled to sink or swim for himself."

### **Responsible Charity Helps the Recipient Help Himself**

Churches are becoming aroused by the corroding influence of the "get it for nothing" gospel, and a churchman recently sounded this warning:

"If you take care of a person from the time he is born until the time he leaves this earth, you may destroy his self-respect," N. Eldon Tanner, a member of the first presidency of the Mormon church, wrote in *The Improvement Era*,

official organ of that religious denomination.

Mr. Tanner set forth the basic aims of the Mormon church's welfare program as a world-wide effort to "care for our own." In this program the Mormon church provides employment for the handicapped, for the aged, and other unemployables in the labor market. They earn their sustenance by working on church farms, in church factories and workshops. Those who cannot work are cared for from the products of the welfare program.

"If you give a person help in obtaining employment, you are not just encouraging him to earn what he gets," writes Mr. Tanner, "you are also helping him develop self-respect and in time his family and neighbors will have increased respect for him. He must feel that he is doing his part and carrying on as a part of the community."

This welfare program of the Church of Jesus Christ of Latter-day Saints, commonly known as the Mormon church, with headquarters in Salt Lake City, Utah, was first launched in the depression of the thirties. The original program, called a security program, was aimed at what the church viewed as the evils of the Federal dole in the New Deal era. The church did not object to a member working on a public proj-

ect. The objection was to accepting a dole without working. This was the evil, as the church saw it.

Heber J. Grant, who was then the president of the church, said: "Mormons are strongly urged to give an active and energetic day's work for a day's pay."

Mr. Tanner, in his recent statement, declares: "If any of us think that the program of the government (today) can take the place of, or in any way improve the programs that are outlined by the church, we are on the wrong track."

#### ***A Dependent Way of Life***

Perhaps we should visit one of our public assistance offices. If we do, let us go with humility, for the poor will be there, along with others who may create doubt in our minds. You may have difficulty, for example, in parking your car because today's public assistance recipients and applicants do not all come afoot. Large cars and small cars will be parked there when you arrive and there may be no space left for you. You may have to drive farther on, but the walk back will be invigorating and may give opportunity to observe more of those who have joined the growing dependency army.

Inside the office, you will have the stimulating experience of wit-

nessing further how dependency grows. You may see a new form of independence which arrogantly demands that "the government" must shoulder the burden of one's personal comfort and survival. You may overhear the pitiful plea of a well-dressed woman that she desperately needs an extension phone installed in her home . . . and she gets it. Your sensitive nature may be touched by a young mother who says that neither she nor her children can eat the food that is dispensed to them from welfare stocks. You may be shaken by this and worry about it until you discover that the food she complains of is similar to the food you purchased with your earned dollars in the supermarket the night before.

You may also hear the welfare applicant, who has just driven up in a 1966 station wagon and who is dressed as well as your own wife, emphatically point out that "the government certainly can't expect us to get along on that miserly bit of money."

"How can we live on that?" she shrieks at the timid girl behind the desk. But, you will notice, the applicant doesn't walk out indignantly and say: "I'll show you. I'll go to work."

No, she doesn't do anything rash, such as getting a job. She is

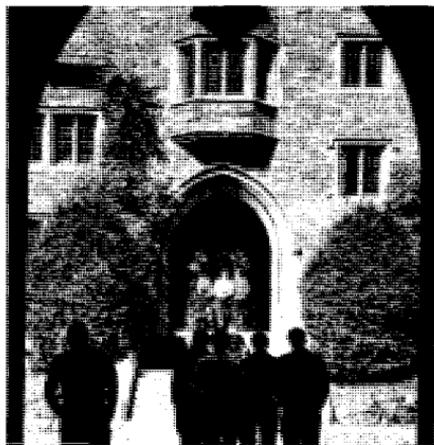
totally sold on the total dependency idea and she's hanging on and fighting for all she can get for nothing.

Such are the things you may see on a casual visit to a public assistance office. The potential danger to freedom will become apparent when you witness the willingness of so many to slough off personal dignity, to shun honest work, to resign themselves to a state of total dependency.

None of this should reflect on the character of those destitute through no fault of their own. They would willingly work, if they could. They are grateful. These people seldom complain. The evil lies in a system that encourages and allows the able-bodied to drift into a state of shiftless dependency that takes from them their dignity and their freedom. To this they also commit their children, and this is the evil that is shocking some of our churches and should shock us.

When either a community or an individual extends its hands and says, "Please help me," the first step has been taken toward abandoning self-determination.

Throughout history, the leaner always has had trouble standing on his own feet. ◆



*A. Devaney, Inc., N. Y.*

## What's Going On Here?

RALPH BRADFORD

HAVE YOU talked much with your collegiate son lately? If not, you might find a conversation quite enlightening, especially if you are talking about economics — macro, that is, not micro. Although micro, too, can be quite revealing.

Until lately, those were new terms to me — I mean, new in connection with the study of economics. Of course, we've all been using them for years in other contexts. But in recent academic parlance these modifiers have been given a new association.

In the old economics you and I were taught about the satisfaction of human needs and desires through trade — the division of labor, specialization, the consequent development of industry and transportation; the invention of

money, credit, banks, wages, profit, capital investment. That, in brief, was our classic economics, and we thought it was pretty important.

But if your son is studying economics, you will soon discover that this was micro economics — minuscule, elementary, parochial. Important? Yes, in somewhat the same sense that the alphabet is, or the ten digits — something to begin with. But it is really just a kindergarten exercise. Students must move on to the macro, the really big stuff.

This gets us into the “public sector,” a term that I first began to hear in European meetings twenty years ago, as a result of their rapid shift into socialism. It is now, of course, much used by our own economists and others who are interested in the vast expenditures of nations, the flow of international trade, tariffs and tariff unions, balance of payments, debt and debt management, and

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A long-playing album from his epic poem, *Heritage*, describing the American story, is available from the Foundation for Economic Education.

the economic consequences of political action on the grand scale. Implicit in all this is the idea of a world economy artificially stimulated by "public sector" spending, and directed by a self-chosen elite rather than by the untrammelled operations of the free market. Due recognition is accorded to the "private sector"—individual and corporate enterprise—but more often than not your professional economist is now a devoted Keynesian who is all in favor of the big government necessary to a centrally managed economy, with heavy emphasis on the big spend, the big debt, and the never-pay-it philosophy. Most of them seem blissfully unaware that Keynes himself had backed off some distance from his original ideas before he died.

These are some of the things you will probably find out in that talk with your collegiate son. And more than likely you will find that he is pretty much in agreement with what he has been taught. I base these conclusions on my experience in visiting colleges during the past few years as occasional lecturer and discussion leader. These visits were mainly in five eastern and southern states. From such a sampling I cannot pretend to say what is going on in all colleges; but since certain attitudes were so similar as to be

almost identical in the ones I did visit, it seems reasonable to assume that they may occur in many, if not most, colleges.

### **Setting the Stage**

First of all, your son in all likelihood is being encouraged to accept the present state of things as normal and permanent—state interventionism, an economy "managed" through tax juggling and/or public spending, deficit financing as a permanent fiscal policy, a huge national debt that need never be paid off or even reduced so long as it bears a certain relationship to the gross national product—and so on.

As a sort of background for all this, he is being told that in 1933 this country was on the brink of a bloody revolution which was averted only by the radical programs of the New Deal. Particularly emphasized is what is termed the agrarian revolt in which, it is alleged, farmers—especially in the Midwest—were on the verge of an armed uprising. The historic peg on which such nonsense is hung is this: Under the stimulus of high prices for wheat and corn during the first world war, thousands of farmers had overextended their land holdings. Land values were artificially inflated up to five, six, even seven hundred dollars an acre. You do not need to be an

economist to know that in normal times corn and wheat crops would scarcely pay the interest, let alone retire the principal, on land at such prices.

It was also true, of course, that the same motivation which prompted farmers to buy more land led them to expend more money in its development and use — contouring where necessary, tile drainage, up-to-date farm machinery, fertilizer, and so on. Thus, the better and more adventurous farmers suffered all the more severely, when the world-wide depression of the late twenties came, with its tumbling prices of farm commodities, along with all others.

Millions of farmers could not meet either interest or principal, and there were many foreclosures. This was bad — for the unfortunate individuals involved, and for the economy. Some who lost their land became angry and bitter. There were occasional threats of violence. In one dramatic case, a farmer mob at Le Mars, Iowa, seized a judge in his own courtroom, carried him out, abused him, put a rope around his neck, and threatened to lynch him unless he would agree not to sign any more orders for foreclosures.<sup>1</sup> Shocking? Yes — but this isolated case

of mob action was a very far cry from the bloody agrarian revolt which certain leftists would now have us believe was so narrowly averted.

But students are still hearing distorted echoes of it. They are still led to believe — not by all teachers, certainly, but by some — that if we had not had the radical New Deal intervention, the whole country would have experienced a blood bath. All of which, incidentally, is a wicked canard upon the American people, whose deportment during that troubled period was one of heroic restraint and courageous patience — so much so that Franklin Roosevelt himself (on the testimony of one of his far left lieutenants) often commented admiringly on the fortitude of the people under the stress of sharp adversity.

This perversion of history is part of the left-wing legendry that your son is hearing. He is also being influenced to believe, by attitude if not by direct statement, that businessmen generally are unimaginative, hopelessly reactionary, and without social conscience or vision. Corporations, he is told (or at any rate so he believes, as surveys much wider than mine reveal), make too much profit, are unfair to their employees, and offer very little attraction or incentive to ambitious young men.

<sup>1</sup> See James Truslow Adams, *The March of Democracy*, volume for 1933-41, p. 11.

### **Getting Their Attention**

Now, because my talks are from the conservative viewpoint, I try to shock the students into attention with initial statements of a rather "extreme" nature — such as assuring them they have no "right" to an education. It usually works. They clearly want to see what other absurdities this troglodyte will utter. But it also serves to identify the conservative students. There are always a few, maybe as many as ten or fifteen per cent. In private talks these students confess to a feeling of frustration. They believe in a free society and a free economy, but they are often immersed in a classroom atmosphere of state interventionism and compulsion. To speak of free enterprise there is to invite ridicule. As a result, they are delighted beyond measure when somebody visits the campus who speaks forthrightly the forbidden language of conservatism, expressing the things they believe to be true and want to hear, but seldom do, except in terms of criticism or derision.

### **Can a Man Be Both Capitalist and Christian?**

Constant classroom denigration of business entrepreneurs has its inevitable effect. Here's an example of the way it works: At a denominational college in a southern

state, I met with a class in economics. After a short talk, I led into a discussion period, with the teacher participating. Questions and comments soon swung to capitalism, its nature, faults, and virtues. Presently, a personable young man, who turned out to be a senior, remarked with some heat, that a man could not be a capitalist *and* a Christian. He said the terms were mutually exclusive. Only one person in the class disagreed with him — another student, not the teacher.

I switched to something else for awhile, then came back to the young man. Under the pretext of finding out whether his economic status had influenced his opinion of capitalists, I asked whether his father was a professional man. No, he was in business. Further questions developed that the father owned a lumberyard and planing mill. It also came out that he was a stockholder and director in a bank. Anything else? Well . . . oh yes, he owned a business block on Main Street, and he was principal owner in a couple of apartment buildings.

At that point I administered what I thought would be a crusher. "Tell me," I said, "is your father a Christian?"

*It never fazed him.* "Yes indeed," he said, rather proudly, "my Dad is quite active in our

church. He's a very good Christian."

That young man, a senior about to graduate, was majoring in economics—and *it simply had never occurred to him that his father was a capitalist!*

In that same college, the teacher of a class in history said he gathered from something I had said earlier that I did not favor Federal aid to education. I told him that was correct, and was about to explain why, when he stopped me. "I just can't understand," he said sadly, "how a person of your evident good will can be *against education!*"

What kind of doctrine do you think *he* would be teaching your son?

### **Two Against None**

At a northern college I had been asked (I do not yet know why) to include a talk on The American Business System. It was by no means an uncritical panegyric. My outline went like this: What is business? How did it start? Its foundation in trade. A quick review of ancient economies. Growth of the free market concept in America. The "buccaneering" period. The corporate concept. Motivation of business today.

In the course of the talk I mentioned two books and told the students to read them if they wanted

to hear all that is bad about business. I also mentioned one other to read if they wanted to hear a recital of its good points. I thought I was leaning over backwards to be fair: Two books *against* business, one book *for* it. But the professor in charge of the class wasn't pleased at all. He was quite satisfied with the two *anti* books; but he was very unhappy about the one I had cited as pro-business. He said it was by an untrustworthy author who was formerly a liberal but was now notably reactionary. In other words, this teacher of economics didn't really want his students to read anything favorable to business enterprise.

What sort of economics do you suppose *he* would be teaching your son?

### **A Queer Standard**

I recall the head of an economics department in a northern college. In a social hour following my formal talk he got me to one side and asked if I didn't get a lot of protest and criticism from college officials because of what he called my ultra-conservative lectures. Now the significance of that lies in the content of my lecture. Let me summarize it briefly:

It discussed present opportunities and responsibilities of citizenship. It advocated self-reliance rather than dependence upon the

state, and it favored solvency rather than technical bankruptcy as a national fiscal policy. It advocated minimum government of limited powers and defined responsibilities. In the field of foreign affairs, it examined some results of our aid program and pointed out that much of it had been wasteful and fruitless; and it was sharply critical of a policy under which billions forcibly taken from American taxpayers were squandered on nations that have openly declared themselves to be our enemies. And it advocated a gradual liquidation of our freedom-strangling national debt and the restoration of the value of our money, so that those who work and save will not be wiped out through inflation.

I hope the reader will forgive this rather lengthy resumé of a not-too-important lecture. Its significance is that *this was the substance of a talk that was characterized as "ultra conservative" by the head of a college economics department.*

What do you suppose he is teaching his students?

### **No Facts, Please!**

Later I was invited to participate in a symposium at a mid-South college. Long oriented to one of the big religious denominations, this college is also heavily endowed by one of the South's industrial

fortunes. There were to be three speakers — two educators and one representative of business. The two other speakers were a professor of theology from an eastern college and a history professor from the Midwest. We were to discuss American capitalism.

When I got there, I found that the history professor was a Marxist — not by my definition, but by his own. The theologian was not a Marxist — at least not admittedly; but he was a left-winger, a member of ADA, and a perfect fellow traveler for the self-proclaimed disciple of Marxism. In the several lecture and discussion periods, he did not once disagree with the Marxist, and the two of them had a ball tearing poor old American capitalism to pieces.

As an example of typical Marxist cynicism, the history professor attempted to lay out ground rules for the discussion. He said it would be unfair to drag Russia or China or Cuba or any other communist country into the discussion. We should look at Marx in his purity as an economic and social philosopher, and not becloud the issue by citing any unfortunate aberrations or abuses that may have occurred in these communist countries. Believe it or not, that was his serious proposal — and it was seconded by the theologian! The college moderator of the series (a senior) was

also quite willing to accept it. Needless to say, I was a stumbling block. I insisted that *Das Kapital* was a book and that *The Communist Manifesto* was a document — nothing more. The only way to judge the ideas they proposed was to examine results in the countries that had tried them. To do otherwise would be the equivalent of setting up an inquiry on juvenile delinquency and gang warfare — but with the proviso that the researchers must never go near Harlem, or the seamy side of Central Park — or the slums of any other great city. The matter was not formally disposed of, but I can record that I did not abide by the professor's rules!

There is no point here in trying to summarize their talks or mine. I am inclined to believe that I held my own in the fruitless contest — but I hasten to state that I do not mean by that to say that I carried the day with the students. They heard me with courtesy, and I could spot a few conservatives among them; but it was quite apparent that most of them were much more sympathetic to the radical Marxist doctrines than to the conservative ones I represented.

Each morning the three speakers were asked to meet for coffee in one of the lounges, there to be available to any students who

cared to drop in for questions, or just to visit. Not many came, but those who did were plainly the campus leftists. The faculty adviser on student affairs was there, and he seemed quite pleased to report that there were two leftist student organizations on the campus. (Of course, he called them "progressive.") On the other hand, he told with visible satisfaction about how successful he had been in thwarting the efforts of a well-known conservative student organization to get started there.

Radical left-wing students? Wonderful! Conservative students? Down with them! Keep in mind that he was a member of the faculty. What do you suppose *he* would be teaching your son?

### **"We Owe It to Ourselves"**

In a southern college I made my more or less standard assembly talk in which, among other things, I advocated solvency as a national fiscal policy. In a subsequent discussion period I was taken sharply to task by the head of the economics department. He said, in brief, that all talk of a balanced budget, and all concern about the size of the debt, was harmful nonsense.

He then advanced what I have learned to recognize as a standard liberal cliché about our debt. It

goes like this: Our debt is only around \$300 billion (that was three years ago). But our gross national product is annually more than twice that amount. So it is silly to worry about a debt that is less than half what we produce each year. This sounds plausible until it is analyzed. Who creates that vast GNP? Obviously, it is all of us — the American people. So what portion of that GNP belongs to the government? None, of course; it belongs to those who create it. But what portion of it is set aside to pay off the debt? The answer is, no part of it. Oh, some of it is taken in taxes — but not enough even to pay current operating expenses, else we wouldn't have the yearly deficit. Not one penny of that GNP is hypothecated as collateral for the debt. The government has no title to it; and the only way it could be fairly cited as security for the debt would be for the government to seize enough of it each year, over and above taxes for current expenses, to pay off the debt in a stated period.

At that point the professor changed the subject — or rather, he broadened his claim. He said it was estimated that the total wealth of our country is between  $2\frac{1}{2}$  and 3 trillion dollars. Using the top figure, that is 3 thousand billion. On that basis, our assets

in wealth would have a ratio of about ten to one in relation to our debt. So again — why worry? All the alarmist talk about the menace of the mounting debt, he insisted, is mischievous nonsense. He added with some heat that in his opinion I was doing the country a disservice by preaching such outmoded economics to impressionable students.

My reply to that was to the effect that I was on that campus for two days, whereas he had the students at his mercy for nearly a year. If in that time the economic poison he was injecting could not overcome my two-day inoculation of economic sanity, then perhaps I had overestimated his powers, and maybe he wasn't as dangerous as I had thought he was! A cheap theatrical rejoinder? Maybe. But recall, please, that I was being pushed around. Anyway, the students loved it — even the "liberals." But the professor was not amused. Possibly that was because his argument about the ratio of assets to liabilities of ten to one wouldn't stand analysis. For example:

What are those three thousand billions of assets? Well, they are the land, the mines, the railroads, the steamship lines, the airplane lines, the manufacturing plants, the timber, the hotels and motels, the office buildings, the gold,

silver, oil, gas, uranium, the farms, the homes — in short, the accumulated wealth of all sorts. Very good, but who owns all this wealth? Aside from actual government property, it is owned by the people — either as individual proprietors or as stockholders in corporate enterprise. How can you set that wealth up as collateral for the debt when the government has no title to it? The only way it could mean anything in relation to the debt would be for the government to seize enough of it to retire the debt.

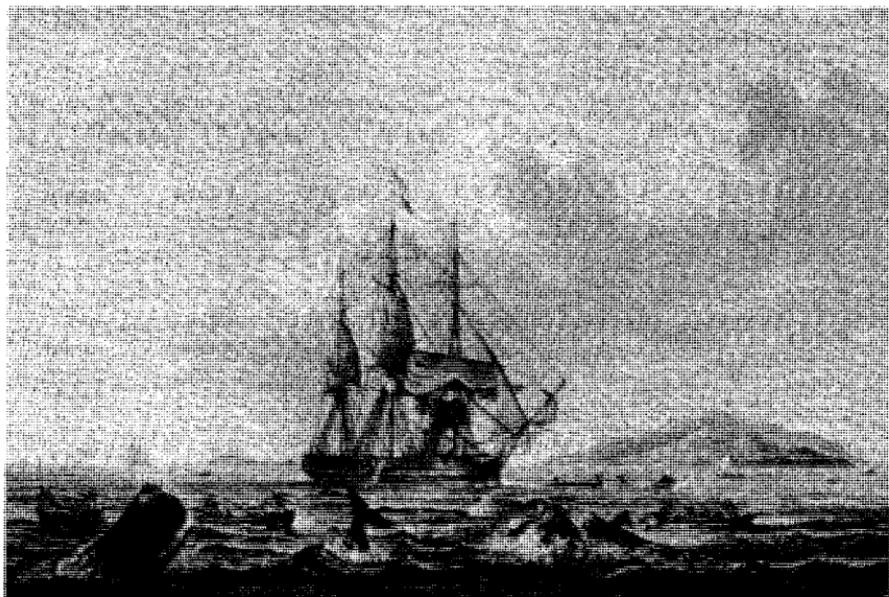
To all this the professor simply would not agree. He insisted that the total wealth, regardless of its legal ownership, was a sufficient guarantee that the debt was safe, and he was not at all impressed by the evidence of continuing inflation. In fact, when I made the point that inflation injured or wiped out the small saver, such as a holder of government bonds, his reply was, "Let them invest their money in corporate stocks and realize on capital gains." When I asked him how many small investors he thought were experienced enough to deal in equities, he simply shrugged. That was not his affair.

What do you think *he* would be teaching your son?

Now I am sure there are some colleges — maybe many — that do not fit the pattern I have been outlining. Indeed, I am acquainted with some teachers who are making a courageous effort to present a balanced picture to their students. I encountered a young history teacher in one northern college who made me welcome and who confessed that he was having a pretty rough time living with the "liberal" majority of the faculty. I also met, in the Dean of one college, a devoted scholar in the best conservative tradition, who seemed quite happy to have me preach a little "heresy" on his campus. But these were exceptions.

Based on the ones I met and whose classes I attended, the average teacher of college economics, or government, or sociology, or modern history, makes little or no effort at objective presentation of his subject, but hews pretty close to the "liberal" party line.

Check with your son who is in college. Is this the way he is being taught? Is this the way you *want* him to be taught? ♦



*The Bettmann Archive*

# A Great Society

*Home-made, self-operated, and really free*

EDWARD Y. BREESE

IN RETROSPECT, it's a good thing they didn't wait for a government grant of funds or a massive program of made work or industrial subsidy. Those things didn't exist in 1659. If they had, Thomas Macy and his friends certainly wouldn't have been eligible by the standards of that time.

If our ancestors had thought and acted as so many people do today, Mr. Macy and his friends would have had a high priority claim to relief and subsidy benefits for the underprivileged and potentially unfree.

Just think. They were a religious minority (Quaker) highly unpopular among their fellow New Englanders. They had been actively persecuted and forced to leave their homes. Individually, none was prominent, important, or wealthy. They had neither learned nor inherited skills that would be of use in their new environment.

To cap the climax, their place of refuge was highly unfavorable to survival on any but a bare subsistence basis. They settled an island, well off shore, about fifteen miles long and one to three miles broad. Its only harbor was so blocked by shifting sandbars that

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only small boats had free access to the sheltered anchorage.

The soil was sandy and infertile. Heather and moor-sedge grew well there. Grains and vegetables did not. Sometimes salt spray blew over the island to burn out what crops there were. There was not even a decent stand of timber for house and boat building. Later, even firewood had to be imported.

Note how perfectly they would qualify for subsidy and assistance in our day. Their island was a physical and economic "Appalachia" without apparent resources to create or maintain any sort of viable prosperity. It was also a religious ghetto whose people were both discriminated against and socially despised by their nearest neighbors. They had neither schools nor money to build them, nor would it have been possible to recruit teachers from more favored areas. There were no doctors and no hospitals for the sick, no courts or police to maintain order. The children grew up with neither authoritarian guidance nor planned recreation programs.

A grim prospect—made grimmer still by the settlers' inability, individually or collectively, to qualify for any private loans for working capital. Apparently, there was "nowhere to go from here," and no way to get there.

**Beg, Die, or Be Free**

In any age and any society there can be only three ways for a people in such a situation to react. They may seek aid from some source outside themselves, either public or private. They can resign themselves to a survival-at-subsistence-level until the community either dies out or is abandoned.

*Or they can react as freemen.* This is the hardest way of all. It calls for heroism of which only the freeman seems to be capable. Almost anyone who ever lived, if he had but found himself at the Pass of Thermopylea, could have stood up and fought with the three hundred. The capacity for a brief, climactic moment of physical heroism, thank God, seems to exist in nearly all men.

It calls for another and, to my mind, a higher form of heroism to stand up to the endless, debilitating attrition of a seemingly impossible economic blind alley. Even greater qualities than these are needed to transform a barren and desolate sand reef into a cultured and prosperous community which served for two hundred years and more as a model to the world at large.

Yet, this is what the early settlers of the island of Nantucket managed to achieve.

If anything, I've underplayed

the difficulties these people faced. For years, they ate fish and hung on as best they could. Sometimes they chewed leather when bacon was gone. In 1672, they built their town on its present site. The things that had to be imported were obtained by bartering smoked and dried fish, on the mainland — when a market could be found.

The off-shore location of the island meant that dead "drift" whales were frequently cast up on the beaches by wind and wave. The meat, when fresh enough, was welcome; and the oil and bone provided a valuable natural resource for trade with the mainland. Some of these whales had died natural deaths; others probably had been killed but not secured by the boat-whalers of Cape Cod.

***Their First Live One***

About the year the town was founded, a northern or Right Whale blundered into the harbor and failed to find its way out again over the shallow bar. The sporting instinct, and the cupidity, of the Nantucketer was aroused. Some unsung local smith promptly forged the first of unnumbered Nantucket harpoons, and a boatload of townsfolk put out. The whale was killed and beached.

The rest of the story is an American epic. Perhaps we should

say a world-wide epic of the free-man. Lookout stations were erected along the seaward perimeter of the island and manned by volunteer watchmen. When a whale was sighted, small boats put out from shore to the chase. The dead whale was beached and the oil, bone, and meat secured by shifts of islanders working together.

These people weren't too proud to learn. They studied the techniques practiced by Cape Cod, Long Island, and Indian whalers, and added improvements through their own experience. In 1690, a skilled whaler named Ichabod Paddock was persuaded to bring his family from the mainland and open an apprentice training school for the men and boys of Nantucket.

Everybody—but everybody—on the island got into the act. It's important to keep this well in mind.

By the early 1700's small sloops, capable of cruising for several days, had begun to replace the row boats used at first. The cruises were short, however, and it was still customary to tow the carcasses to shore stations for butchering.

In 1712 Christopher Hussey killed the first sperm whale ever taken by a Nantucket boat. The superior quality of the oil was quickly noted, and the hunt for the sperm whale began. These big

fellows were far cruisers. To strike them it was necessary to cruise the reaches of the North and South Atlantic, the Brazil Banks, and the African Coast. Little sloops would not suffice any more. Nor could a dead whale be towed hundreds of miles before the oil was taken from the carcass.

#### ***Without Federal Aid***

There were still no government grants. There weren't even "surplus" naval or merchant marine vessels available to the infant industry. If the islanders wanted larger vessels, they had to build them. They had to design a new type of ship for a new fishery, and learn how to build from their own designs. They had to import timber—and pay for it from current income. They had to produce for themselves a hundred different implements and types of gear demanded by the industry.

All of this had to be financed by a community which included no very rich families and which had, as yet, no collective credit sufficient to float a direct loan or security issue.

They started with larger sloops of about thirty tons, capable of cruising for six weeks or so. By 1715 they had six of these. Fifty years later, there were 101 Nantucket whalers—sloops, brigs, and schooners. By 1775 the total had

passed 150. The oil, bone, and whale ivory they brought home were sold in Boston or directly in London. The islanders were importing timber and brick for the beautiful big houses which still stand as monuments of the early days. In time, Nantucket ships were seen in the most distant waters of the Arctic and Pacific oceans.

During the Revolution about 135 island whalers were captured by the British Navy. So highly were these men respected that, instead of going into prison hulks, they were forced to continue at their trade under the enemy flag. Far from destroying the fishery, war only stimulated the people to greater exertions; and the fleet continued to grow. Nantucket whaling did not end until the use of petroleum products made whale oil economically unprofitable after the Civil War.

### ***The Fruits of Enterprise***

There is no finer example in history of the achievement of cooperative free private enterprise than the story of the Nantucket settlement. These people started from scratch. Brainpower and hard work and common sense made them rich. They found a natural resource where apparently none existed.

Most of the early families became related by marriage until

they were one big family. Of more than average intelligence, hard-working and thrifty, the people were so law-abiding that little or no government was ever needed or in evidence on the island. There were no paupers and no criminals. No bureaucracy was needed or wanted.

During the height of their prosperity and activity *there was not a single lawyer on the island.* None was needed.

Capital for building and outfitting the fleet was raised by the people themselves on a strictly free enterprise basis. Everyone contributed according to his or her means, and everyone profited.

Each ship was owned in a large number of widely distributed shares and built and outfitted by the sale of these. A particular individual might own shares in ten or a hundred ships and would profit from the voyage of each.

The island boy started to learn the cooper's trade or the boat builder's or smith's at the age of twelve. At 14 he went to sea, and became an officer in his twenties. Generally, he left the sea by forty to concentrate on the shore end of the business and make way for a new generation.

Everyone on the island had an interest in the business, over and above the shares in ships. If a man made harpoons, they must be

of the best, for he owned a share in the whales they would strike. If he sold provisions, they must be of good quality, for the well-being of the crew would contribute much to the voyage in which his funds were invested. If he built whaleboats, they must be well made, for his son or brother would man them.

The business affairs of the town were more like the transactions of a clearinghouse than like the typical village trade and barter. The amount of money in hand was small. Business was largely a matter of crediting one item against another. A losing voyage was offset by the profits of others.

It was this unity of purpose, intelligence and courage in planning

and venturing, and keenness of spirit in the whale hunt that made Nantucket the greatest whaling port of her era. The memory and study of their achievement stand as inspiration for all freemen today.

Above all else, Nantucket stands as the monument to men who thought and acted as freemen. Obstacles which might have destroyed them served only as a spur to greater achievement. They had — *they needed* — no advantage and no resource not instantly available to all freemen at all times.

You and I have these same resources, if only we will think and dare to employ them. The lesson these freemen taught will be as valid in 1972 as in 1672. ◆

#### IDEAS ON LIBERTY

### *Wards of the Government*

WE AMERICANS seem to believe that just because our pioneer fathers once subjugated the Indians, we in turn are obligated to keep them in the bondage of government "security." As a result, the Indian has the status of a *ward* instead of a citizen. Instead of being a responsible person, he is a dependent.

And in a like manner, if we free Americans continue to turn to government for our security, we too will surely become dependent wards instead of responsible citizens. There will be a Commissioner to control our personal affairs and our individual responsibilities. Instead of calico and blankets, we may be promised a hundred dollars every month. But since the *principle* is the same in both cases, the results will also eventually be the same.



# INFLATION

F. A. HARPER

INFLATION can be prevented. Failure to do so is purely and simply a matter of negligence.

Inflation is a trick done with money. Suppose that the government were to provide vending machines all over the country where persons could deposit each dollar they now have and get two in return, by merely pressing a button. If everyone were to use this gadget, each person could then pay twice as much as before for everything he buys. That would be inflation in a clear and simple form.

People could, of course, put away some of this new money in "a sock" or otherwise hide it from

circulation and use. But with this inflation gadget operating, there would be less incentive than before to keep the money in hiding, because it would become worth less and less with passing time. So the hoarding of money isn't likely to solve the present inflation problem, if it persists.

Inflation means too much money. The way to prevent inflation, then, is to close down the money factory. It is just that simple.

All the complicated gibberish one hears and reads about inflation simply blocks an understanding of the essentials of the problem — though it may impress the ignorant, or hide the negligence of those who are responsible for inflation by making the task of preventing inflation seem hopelessly complicated.

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Dr. Harper, long a member of the staff of the Foundation for Economic Education, continues his research, writing, and teaching as President of the Institute for Humane Studies at Menlo Park, California.

This article is slightly condensed from his pamphlet first published in 1951.

### **The Money Factory**

Where is the money factory?  
Who operates it?

The money factory in our present money system is operated by the Federal government, either directly or by farming it out to subcontractors under the control of government.<sup>1</sup> It makes paper money to replace that which has become dirty or worn out. It makes new paper money to increase the supply. It makes pennies, nickels, and the other coins. It permits the banks to grant credit to borrowers, which becomes money that is interchangeable with any of the other forms of money in use.

But for purposes of seeing where responsibility lies in the inflation problem, we need not concern ourselves with all these different kinds of money. It is necessary only to say that at present all forms of money come out of the government factory, or are controlled by the government, under a complete monopoly.

If anyone doubts the existence of this money monopoly by the government, he can test it by manufacturing some money himself—even one cent. He would then be charged with counterfeiting, and

be given a penitentiary sentence for having infringed on the monopoly. The policeman in this instance is the one who holds the monopoly.

The money monopoly is a strange one. We usually think of a monopoly as restricting output, which can then be sold at a much higher price. But in the money monopoly, the government can force the citizens to take the entire output of its product.

### **A Highly Profitable Monopoly**

Not only that, but the operation is highly profitable—nearly 100 per cent, or almost the entire price of the product. This is one clear case of an “excess profit” which the victimized customers are forced to pay.

If the money monopoly were not so profitable, there would be no inflation problem at this time. The profit incentive works with money and stimulates its production, just as it does with anything else. In olden days when some otherwise useful commodity like gold, for instance, was used as money, anyone who wished could produce as much of it as he liked. The production of money was then legal and competitive, rather than being a crime as it is now. Its production was so costly in time and expense that the inefficient producers were crowded out, just

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<sup>1</sup> Beyond the scope of this analysis is the important question of alternative money systems, with advantages or disadvantages so far as the danger of inflation is concerned.

as they are crowded out of the production of brooms or mouse-traps.

But it is not so with present-day money, with the paper bills and deposits that make up most of our money of exchange. It doesn't cost much for the paper and ink and printing needed to make a \$100 bill. It is probably the most profitable monopoly that ever existed, and the entire force of the Federal government is available to protect its monopoly against the infringement of private counterfeiting.

When a private citizen counterfeits money, the wrath of other citizens is aroused and they say: "He did no useful work to get that money, and yet he spends it in the market place, taking food, clothing, and other things away from those of us who have earned our money by working for it. He takes useful things out of the market without producing other useful things to go into the market, as we do. The effect of his chicanery is that prices go up and the rest of us receive less and less for our money."

This is a correct statement of what happens under counterfeiting. It is the reason for objecting to counterfeiting, because the counterfeiter gets something for nothing. And it is the reason for objecting to legal counterfeiting, too.

If everybody tried to live off counterfeit money, one would at once discover its effect in the extreme. There would be nothing to buy with the money and it would be completely worthless.

When the government makes new money and spends it, the effect on the supply of things in the market to be bought by civilians with their earnings, and the effect on prices, is exactly the same as when any private counterfeiter does so. The only difference between the two is whether it is a private counterfeiter that gets benefits looted from others, or whether it is a counterfeiting government spending it on pet projects — projects that the citizens are unwilling to finance either by private investment or by tax payments.

### ***The Watered Punch***

Counterfeit money affects what you can get for your money in the market much like water affects the punch at a bring-your-own party. Each in attendance is to be allowed to dip into the punch bowl in proportion to the quantity of ingredients he has brought and dumped into it. All bring some pure ingredient wanted in the mixture.

Now suppose that one person brings water, and dumps it in. This dilutes the punch, but the

person who does it is permitted to drink of the mixture the same as those who are being cheated. He gets something for nothing, and the rest get nothing for something by an equal amount. If everyone were to do the same as he has done, it would be perfectly clear what the adding of water does to the taste of the punch. So it is with counterfeit money, whether done privately or by the government.

### **Why Government Inflates Money**

The government makes this new money in order to cover what it spends in excess of its income—its costs in excess of its tax revenues. The government makes up the shortage with the new money made in its monopolistic money factory. For our present purposes, it makes no difference whether this is done with paper bills directly, or with bills which it obtains by issuing another form of paper money — government bonds—which are forced upon the banking system.

What the government does is like a counterfeiter who continuously spends more than his earnings, and who goes to his basement print shop each evening and makes enough counterfeit money to balance the shortage. His print shop might put out either paper money direct, or counterfeit bonds

which he sells to the banks in exchange for the money; the effect would be the same in either instance.

### **Living Within Income**

The way—the only way—to stop this form of inflation is for the government to live within its income. This can be done either by raising enough in taxes to meet its costs, or by paring down its costs to equal its income.

In a family, the housewife may try the former method — nudging the husband to ask for a raise, or to hustle for more sales—but in the end the family must always resolve the problem by spending less than it would like to spend, and living within its income.

The government holds unlimited power to tax every family in the nation, and for decades has been raising more and more taxes, but it has never resolved the problem that way. It appears to have forgotten the possibility of reducing expenses as the means of living within its income and avoiding inflation. So we have had inflation almost continuously since 1931, and are now faced with its acceleration.

The only way to prevent inflation is to prevent these governmental deficits; to pay currently and in full all the expenses of government that we either demand or

tolerate. To do this it is necessary either to increase taxes or to cut down the costs of government. We are only kidding ourselves if we say that we can avoid both taxes and governmental frugality, by inflation-financing of the excess of its costs over its income.

### ***Inflation a Form of Tax***

Inflation of the type we are discussing is in reality a form of tax, not an alternative to taxes. It is, in fact, perhaps the most pernicious form of tax, for the reason that it is not recognized as such. It can ply its evil way under cover of this ignorance, and without the resistances and disciplines of a tax that is open and recognized.

We speak of direct and indirect taxes. Property taxes or income taxes which are paid by individuals are direct taxes; only about one-third of all taxes are of this type where we can see them clearly. Indirect taxes, making up the other two-thirds, are collected at some point away from the consumer, and become buried in the prices of the things we buy and the services we employ. All these direct and indirect taxes are at specific rates which are set by a governmental body charged with that responsibility. They decide what will be taxed, and how much.

But with inflation, which is in

reality also a tax, it is not these taxing bodies which designate the tax. It is a tax created by default. When the spending part of government outruns the taxing part, the difference is financed by governmental counterfeit, by inflation which falls as a tax on each person in the market place in the form of higher prices for what he buys. Everyone who uses money for buying in the market pays some of this form of tax. It is the close equivalent of a sales tax on everything. One who favors deficit spending—the inflation tax—should not be opposed to a sales tax imposed on all purchases of goods and services, without exception. The only important difference is that the sales tax is known to be a tax, but the inflation-tax is thought to be avoidance or postponement of the tax.

### ***Postponed Taxes a Myth***

This makes clear, I believe, why inflation is such a pernicious form of tax. People who would otherwise protest and curb the extravagances of government are lulled by the foolish notion that inflation is a means of postponing payment of some of the current costs of government.

It is especially tempting to try to avoid taxes when the government is spending with abandon for a "national emergency." It is

then argued that "since the expensive projects of government are largely for the benefit of later generations," why shouldn't part of the costs be left for them to pay? This notion, as has been said, has become a steady habit in the United States.

The truth is, however, that if the government this year dips into the national punch bowl of goods and services that are produced and available, what it takes out and squanders this year is not there for others this year. The more government takes and squanders this year, the less someone will get back this year compared with what he produces.

Why, if we ignore the minor item of foreign trade balances, is it believed that a nation can postpone this year's cost of government? Probably it is the presence of money that confuses us. If we were to think only of punch and potatoes and things—exchanged by barter—we would not be confused, because we would then realize that we cannot eat potatoes this year which are to be grown next year.

A whole nation of persons can't go on year after year consuming more than it has to consume. It can't do it for one year, or even for one day. It can't do it by allowing inflation, or by any other means. Failure to realize that inflation is a form of tax leads to

the false belief that inflation affords a means of postponing some of the costs of government. But it can't be done.

If it were possible for a whole nation to postpone one-third of this year's cost of government until next year, why not postpone half of it? All of it? And if it is possible to postpone it until next year, why not postpone it for two years? Ten? Forever? If this were possible, we would not need to wait for utopia. We could have it now!

#### **Government Fights Government: The Inflation Fighters**

Our present situation comes into clearer focus when it is realized that inflation is a form of tax. A part of the costs of government are paid for by what is commonly called taxes, in both direct and hidden forms, levied by the taxing part of government. The remainder of the costs of government is paid for by the inflation-tax, which is in reality levied by the appropriations part of government over the protest of the taxing part of government, which has refused to raise all the taxes needed to cover all appropriations. This results in inflation, and prices rise.

There then is said to arise "need" for another big project in government, the "inflation fighters." A big force of lawyers, economists, and policemen are hired.

They organize the citizens into community inflation-fighting gangs, to lend an appearance of local respectability to the endeavor. These local organizations also insure that neighbors will be enrolled to serve as policemen over their neighbors, in the front line trenches where the fiercest fighting is most likely to occur.

Why does all this new machinery seem to be necessary? What are they doing? The new branch of government is set up for the purpose of fighting the payment of the inflation-tax that has been assessed by another branch of government—the appropriations division. It would be as logical to have the government set up a big unit in Washington, with citizens committees and all that, to conduct a tax revolt against the payment of income taxes—to fight the Internal Revenue branch of the Treasury Department.

### **Economic Quackery**

Every illusion floats on a plausibility.

Quack medical doctors attack the most vivid symptom with something that is plausible to the suffering patient. The treatment may be to throw cold water on a fevered patient, or to throw hot water on one with chills. The quack doctor may use two thermometers—one that does not rise

above 98.6 degrees which he uses for fever patients, and another that does not fall below that point which he uses for chill patients—to “prove” that his “cure” has been effective.

A quack engineer might try to prevent an explosion by adjusting the pressure gauge downward or closing the safety valve. Or a quack railroad engineer might try to prevent a wreck by adjusting the speed gauge downward instead of reducing the speed.

All these are silly, indeed, but no more silly than their equivalents in the economic field. “Price control to prevent inflation” is also silly. The only reason why the medical plausibilities seem more silly than these economic ones is that medicine is further advanced and more widely understood. The economic mistakes we are now bringing upon ourselves may one day appear to our descendants to be just as foolish as the medical superstitions of old now appear to us.

### **Freezing the Price Thermometer**

When there is inflation, prices rise. It would appear, then, that inflation is caused by rising prices. And this is the weapon of plausibility selected by the price-control part of government to justify its fight against the appropriations part: “The way to fight inflation

is simple — just establish price controls, and prohibit prices from rising.”

There are two ways, in general, to test the truth of a proposal like this, and to prevent the practice of quackery: (1) judging from experience, and (2) reasoning to the right answer. By both of these tests, price control is shown to be economic quackery.

### ***Lessons from History***

There has been a wealth of historical experience with price controls. In fact, a recent archaeological discovery reveals that the oldest known laws in the world were price control laws — 3,800 years ago in ancient Babylonia.

One of the best summaries of historical experience with price controls is easily accessible to governmental officials and others. In 1922, Mary G. Lacy, Librarian of the government's Bureau of Agricultural Economics, addressed the Agricultural History Society under the title: “Food Control During Forty-six Centuries.” She pointed out how her search of history over this entire period revealed repeated attempts in many nations to curb by law the inflationary rises of price. She said:

The results have been astonishingly uniform. . . . The history of government limitation of price seems to teach one clear lesson: That in at-

tempting to ease the burdens of the people in a time of high prices by artificially setting a limit to them, the people are not relieved but only exchange one set of ills for another which is greater. . . . The man, or class of men, who controls the supply of essential foods is in possession of supreme power. . . . They had to exercise this control in order to hold supreme power, because all the people need food and it is the only commodity of which this is true.

But we need not go so far back into history, and to a foreign land, for evidence. During World War II we were experiencing some of the vivid consequences of these controls in the form of the “meat famine.” It was not a true shortage of meat at all. The trouble was that controls were preventing its exchange, all along the lines of trade from producer to consumer. This was only one small sample of the consequences of those wartime controls. How short are our memories?

### ***Free Price Is Economic Governor***

Some may be tempted to ignore this long history of failure of price controls on grounds that “conditions are now different.” Then they evidently do not understand the reasons why price controls must always fail. These reasons are perhaps the best test of whether they are likely to fail of their avowed purpose this time.

It is impossible to consume something that has not been produced, and it is foolish to produce something that is not going to be consumed — to throw it away, or let it rot. It follows, then, that a balance between what is produced and what is consumed is the most desirable condition — if, in fact, it is not economically imperative to have this balance. How is this balance of “supply” and “demand” to be attained?

Under a condition of price freedom, those who produce and those who consume will resolve this problem peacefully. The means by which they do it can best be visualized by the use of a chart, simplified for purposes of illustration. The details, shown here as equal changes in price and quantities, differ from one product or service to another and change with passing time. But despite these differences, the principles we shall derive apply to each product; and they apply whether the price is controlled directly by government or by any other form of monopoly.

These are the principles of price — free and controlled — as revealed by the accompanying chart.

1. Reductions in price cause increases in the quantities wanted (on the chart, five times as much at 10 cents as at 50 cents).

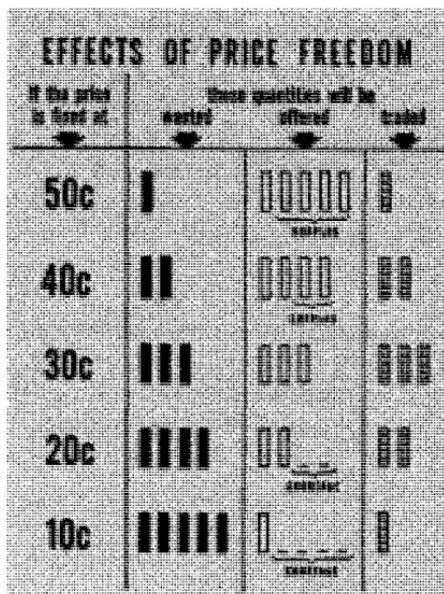
2. Reductions in price cause decreases in the quantities offered

(one-fifth as much at 10 cents as at 50 cents).

3. Supply and demand are equal at only one point — the free market price (30 cents); higher prices always cause surpluses (four-fifths remaining unsold at 50 cents); lower prices always cause shortages (four-fifths of the demand not supplied at 10 cents).

4. Trading and the economic welfare of both producers and consumers are greatest at the free market price, and are prevented as prices are forced either higher or lower.

The only instance in which “price fixing” fails to have these consequences is where it is set at



the free market level (30 cents), in which event the governmental edict is a sham because that is where the price would be in the absence of this pointless edict. This is the point where people are freely acting in response to the inexorable signals of the market place. Yet, doing business at this price becomes "lawlessness" and "irresponsibility" by edict when price control sets it elsewhere.

Prices that are rigged very high or very low will kill off practically all trading. Attempts to stimulate production, consumption, and trading by forced labor, socializing of property, and subsidies to producers and consumers are all awkward attempts to replace the performance of people in a free market.

Under controls, those near the source of supply get most of it, and those at a distance have to go without. Black markets spring up. Distant consumers try to get some of the supply. Confusion increases and tempers mount. More and more price policemen are hired who, instead of producing useful things, try to quell the confusion and chaos. The bill for their salaries and other costs is sent to the unfortunate victims of the controls.

The simple chart at left reveals the answer to the question: Will price control stop inflation? All

history has shown it to have failed. There is only one point of price where supply and demand are in balance, where both shortage and surplus are avoided, where trade is most peaceful, and where welfare is at a maximum. If this incontestable fact is understood, the belief that we can escape reality by enacting price control laws must be dispelled as an illusion.

#### ***From Price Lies to Rationing***

Price control really means that laws are passed to make official prices tell lies. One of the penalties for the lying is the creation of shortages that cannot be peacefully resolved.

The shortage, once created, must be dealt with by further powers of government and law. There must be "rationing"—rationing by the government of the shortage it has created by law, rationing of goods and services to individuals because the government failed to limit the output of its money factory.

When the free market is allowed to operate and to set the price at a point where supply and demand will equate, each person will have purchase tickets in the market which correspond to the supply of something he puts into the market. Gifts, of course, are an exception; but in the case of gifts, the rights to draw on the market are still

given by the person who supplied the market with something to be bought. These purchase rights are tickets of merit based on production. And the whole thing balances out, as we have said, peacefully.

When the government intervenes with price control laws, this balance is no longer maintained. There are now more tickets for things than there are things to redeem. There are shortages created by law. Then governmental rationing seems to be needed, whereby government officials are empowered to decide who shall get the short supplies. This substitutes political considerations for the merit of production under a free price in a free market.

#### **Laws That Promote Dishonesty**

Not only do government-controlled prices lie, but the process also rapidly promotes dishonesty among all groups—merchants, producers, consumers, government employees, everybody. The temptation of bribery of government officials becomes great. Late during World War II, a grocer of extremely high integrity and wide experience, told me that it was absolutely impossible for anyone to practice honesty according to the law and still stay in that business under price controls. The reason for this should be clear when we consider the legislated falseness and inter-

ference with business operations that become involved.

If this nation is to carry a role of moral leadership in the world, it will have to be founded on the morality of individual persons. And this is destroyed by such laws.

The shortages that result from price and wage controls are purely a legal creation, created by the price control law and nothing else. *In an otherwise free economy, the "success" of any price control law can be measured by the extent of the shortage it creates, or the decline in production which it causes. And if such controls were complete and effective, they would probably stop all production for trade, which uses money.* This conclusion is inescapable.

Under present conditions of inflation, caused by rampant governmental spending—with laws aimed at the symptoms of inflation rather than dealing with its cause—the time is short for making an important choice. Its nature is indicated by what Lenin allegedly said in 1924: "Some day we shall force the United States to spend itself into destruction." And Lord Keynes reports: "Lenin is said to have declared that the best way to destroy the Capitalist System was to debauch the currency. By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part

of the wealth of their citizens." Lenin probably knew that price and other controls — one of the main objectives of the system he favored — would then be imposed.

Unless the price control law is rescinded, its disrupting influence will lead to governmental enslavement of all labor and confiscation of all production facilities — to adopt, in other words, a completely socialist-communist system which we are presumably opposing.

**A Strange Dilemma:  
Lawlessness or Socialism**

The only escape from the consequences of these laws would seem to be for the citizens to ignore them. This means lawlessness, technically, in the form of black market operations and all the other forms of evasion. This places the honest citizen who favors human liberty in a strange dilemma. He must choose between practicing lawlessness in this technical sense, or supporting a socialist-communist regime.

If we add to a moral breakdown of the people, the confusion that is created when illusions and wishful thinking bump up against economic laws which cannot be revoked by man-made laws, and add to this the animosity that grows under these conditions and the utter distrust of one another that

is aroused, then the prospect is too sobering to be ignored.

A step in the direction of taking away the government's monopoly in the production of money, and restricting government to the judicial aspects of exchange, would be to compel the government to live within its income. This means limiting government expenditures, strictly and absolutely, to taxes that are openly acknowledged to be taxes. It means prohibition of the concealed and deceptive tax of inflation.

If this were to be done, there no longer would be an inflation problem of the type we now have. If this were to be done, there no longer would be any excuse for the enactment of socialist-communist measures — these deceptive processes of legalized price fictions and interference with exchange. If this were to be done, it no longer would be "necessary" to give up our liberty under futile controls aimed at the consequences of inflation rather than at its cause.

Ruthless measures are called for after the citizens have allowed their servant — government — to become their master. But it is better to be ruthless and successful in preventing inflation than to become the victims of both ruthlessness and failure. ◆

# Taxation Theory

W. M. CURTISS

TAX EXPERTS long have theorized about the raising of money for various units and functions of government.

Should taxes be for revenue only, or as a means of social control, or both?

Should taxes be levied on citizens equally, or should "ability to pay" be a major consideration?

Where practicable, should the "benefit principle" be followed? That is, if government performs a service for specific individuals and not for all, should those who directly benefit be charged for the service? For example, should highway users be required to pay for them through specific taxes on motor fuels and motor vehicles and direct tolls? And, if such taxes are intended for highway use, are safeguards against diversion desirable?

How pay for government schools at all levels? Studies show the tremendous economic advantages of high school and college education. Most parents urgently want education for their children. Should the cost of government schooling be charged on a "benefit" basis, either to the parents, or against the enhanced future earnings of the students?

## ***Changed Circumstances***

In the early days of our country, tariffs were an important source of revenue for the Federal government. And there was much debate among tax theorists as to the revenue-raising versus the protectionist and discriminatory aspects of tariffs. But "tariffs for revenue only" becomes an academic issue when the national government requires one quarter or more of people's earnings.

Seeking the ideal taxation form-

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ula is of course praiseworthy, but conditions of the search have changed! The taxation experts of 100 years ago were talking about nine cents out of each personal income dollar. Today, nearly 40 cents of every dollar of personal income goes to support national, state, and local units of government. This calls forth new theories of taxation. Collecting the billions of dollars now spent by various units of government is no longer a question of "soaking the rich" but of how to extract 40 cents of each personal income dollar without stirring up a taxpayer revolt.

Taxation has become a tool of monetary and fiscal management. The experts speak of "fine-tuning" the economy so that employment will be high and productivity will expand.

There doubtless are those who look upon taxation as a means of redistributing wealth, in the belief that some have too much income and some too little. The progressive income tax is an expression of this belief, as are current discussions of a guaranteed annual income for all.

So, in view of the growing tax burden and the increasing use of taxes as a tool for social and fiscal control, let us further review the new theories and modern problems of taxation.

### **Hidden Taxes**

The tendency of taxpayers to revolt against high taxes causes tax collectors to try to hide the tax burden so that the taxpayer will hardly be aware of what is happening to him. If this process takes place at a time of rapid growth in the economy, levels of living may rise at the same time that taxes are increasing. Without an understanding of what might have been, people can truthfully proclaim: "We never had it so good!"

An effective method of hiding taxes is the withholding of Federal, state, and local income taxes by employers from the wages of employees. Most workers are inclined to think only of their take-home pay and give little thought to the tax they are paying.

The social security tax not only is hidden through withholding, as is the income tax, but is otherwise disguised as well. If he thinks of it at all, the employee is likely to consider only his share of the tax, not realizing that the employer pays an equal amount on his behalf. Further, many who pay in the name of social security view it not as a tax but as saving for their old age.

A real estate tax is rarely thought of as a hidden tax, but when I asked a neighbor how much his school taxes were, he re-

plied: "I haven't the slightest idea; I pay them monthly along with my mortgage, interest, and insurance bill."

Perhaps the most cleverly hidden tax is inflation. When the national government fails to cover its expenditures through taxes, it must borrow the difference, either from individuals or the central bank. If the latter, a multiple of that debt is likely to be added to the money supply, which is inflation. Inflation usually is accompanied by rising prices and erosion of the purchasing power of the dollar. Since 1939, the dollar has lost about half of its purchasing power. This is a tax upon savings, as truly a tax as any of the many other ways of raising revenue. From a political standpoint it has the advantage of being hidden. Also, it is possible to make people believe that the cause of inflation is the raising of prices by greedy businessmen or of wages by labor unions.

Taxes are hidden in other ways, too. Many are incorporated in the prices of things we buy and we rarely realize that a tax has been added. Taxes on liquor, cigarettes, automobiles, and gasoline are examples.

### **Voluntary Taxes**

With compulsory taxes absorbing so high a proportion of in-

come, it may appear paradoxical to speak of voluntary taxes. But what is a government lottery, if not a voluntary tax? Certainly, a person may avoid the tax by not participating in the lottery.

The state of New York spends millions of dollars each year to try to prevent illegal gambling. One might conclude that the lawmakers believe gambling is an evil which should be suppressed. But no; we find the state permitting and even encouraging certain types of gambling. Bingo is permitted under certain conditions and betting at race tracks where the state gets a heavy "cut" is encouraged.

And now, the state-wide lottery to raise money for "education"! The state felt it needed more general revenue than it could raise through its many tax sources. So, why not try a "voluntary" tax like a lottery, and call it "education"? This might remove the onus for some who think gambling is a little bit evil and who do not realize that this is just another way of swelling the general revenues of the state.

Regardless of how one may appraise the moral aspects of gambling, there seems little doubt that a state lottery operates as a regressive tax, taking heavily from the poor, even though voluntarily. Historically, governments that have resorted to lotteries have had

in common a tendency toward decadence. The state lottery feeds the idea of "something-for-nothing" already far advanced in this country. From the standpoint of the lawmakers, it is a "last resort," desperation effort to fill the coffers of a profligate state.

### ***Diverted Taxes and Highways to the Moon***

Taxes sometimes are levied for an alleged purpose and diverted to another. The gasoline tax often brings this comment: "I wouldn't mind paying the gas tax if I could be sure the money was spent to improve highways."

The diversion of taxes collected from highway users has brought sufficient protest that 28 states have adopted antidiversion amendments to their constitutions. But, in most instances, such antidiversion measures have little effect on the over-all pattern of government spending.

True, in some states, more revenue is raised from highway users than the total spent on highways. For example, in New Jersey where there was no state income tax, more than 40 per cent of all state revenue in 1966 was from motor vehicle, fuel, and license taxes; and about 40 per cent of that was used for nonhighway purposes. In contrast, some states spend more on highways than they collect in

highway taxes. For the country as a whole, disbursements for highways by all units of government are about equal to the receipts from highway taxes by all units of government.

One may be certain that tax income from lotteries in New York and New Hampshire will be watched like a hawk to see that it is not diverted from educational purposes. But this fear will be unfounded; the huge amounts budgeted for education will more than absorb all such lottery funds. Whether the lotteries will make available additional funds for education or simply release general funds for other purposes would be difficult to determine.

The point is that when 40 per cent of personal income is taken for taxes, the diversion argument is hardly important. Ways will be sought to raise this money as painlessly as possible. Motorists apparently will tolerate a tax equal to half the price of their gasoline. Liquor and cigarette users will submit to a very heavy tax on those products, no matter to what purpose such funds are diverted. How would government finance an excursion to the moon except by diversion?

Are social security funds diverted? It all depends upon one's point of view. In the early days, when social security taxes collected

far exceeded benefit payments, was there diversion? If one assumes that social security taxes are intended for the general welfare, then there is, of course, no diversion. If future benefits are considered a contractual obligation, then past and current social security taxes fall far short of needs, and diversion is a term without meaning.

From an administrative standpoint, with governments involved in so many activities and at such tremendous cost, it becomes practically meaningless to try to earmark funds at their source for specific expenditures. The attempt is made in the Postal Service, but with what success? Deficit after deficit! People will say: "Let those who want mail service pay for it," or "Let those who want to go to the moon pay for it," or "Let those who want to fight in Vietnam pay for it." But do they really mean they're ready to vote the government out of that particular business and leave it to competitive private enterprise?

In many instances, special taxing districts are set up to provide specific services such as schools, fire protection, police protection, water, or sewerage. Diversion of such special district taxes for other purposes is reduced to a minimum under such arrangements, though such districts often

require extra funds from other tax sources.

Not many years ago, public elementary and secondary schools were financed almost entirely from local real estate taxes. But the trend has been increasingly toward state and Federal aid for the financing of more and more elaborate schools and school programs.

### **Conclusion**

So, we see that tax policy is more complicated than it once was. What one's theory of taxation finally amounts to is his theory of government, because taxing is an integral part of the governmental process. And there are really but two basic and fundamentally opposed theories of government. One theory, the one upon which the United States of America was launched, held that government ought to defend the peaceful individual and his property.

The alternative theory of government, increasingly popular among Americans, would plunder the property of individuals for the supposed benefit of others. This is socialism. And the tax policy of socialism is to confiscate all private property.

The use of tax policy for social control — for leveling wealth — is not a new development. The U.S. official who said recently he would take property from those who had

more than they need and give it to those who don't have enough was merely expressing the major tenet of socialism.

More important than taxation theories is the question of the proper function of government.<sup>1</sup> Rather than debate whether 10 per cent should be added to income taxes or raised through

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<sup>1</sup> For a discussion of the proper function of government see *Government: An Ideal Concept*, by Leonard E. Read. Foundation for Economic Education, Inc.

further inflationary deficits, a more basic question should be raised: Will this money be used to finance a proper function of government?

Even though there will be minor differences in details, a clear understanding of the proper place of government in an advanced free and open society will largely eliminate the need for complicated taxation theory. With government reduced to reasonable size, the financing of it becomes relatively simple. ♦

## . . . Because I Am an **INDIVIDUALIST**

ANNE WORTHAM

*The "attached article"  
mentioned by Miss Wortham  
in this message to friends  
is a reprint of her  
"Individualism versus Racism"  
from the January, 1966, FREEMAN.  
If you missed it, let us know.*

PRIOR to and after having written the attached article, I have been swamped with questions from racists, liberals, and conservatives — Negroes, Whites, and Jews — Africans, Englishmen, and Israelis. Most of the questions boil down to this: "But what was so different about your environment that leads you to think as you do?"

You see, I am a Negro. I was born and raised in the segregated town of Jackson, Tennessee. I attended college at that famous pillar of "Negro civil rights"—Tuskegee Institute in Alabama. I grew

up in a segregated town; I worked as maid for white women; I was taught in college that I had to "catch up and beat *them*"; I have been discriminated against once in Washington, D. C. But . . . a Negro demonstrator once called me a traitor; some college classmates hinted that I was an "Uncle Tom"; a work supervisor called me a maverick; a white "liberal" I worked with accused me of committing treason against my race. In other words, I spent my growing years in the "right" environment and heard all the "right" dogma but I turned out to be the wrong product. Everyone wants to know why. Why? Because I am an individualist. It is as an individualist that I address myself to you.

There are the Southern white racists, the Northern white "liberals," the militant Negro racists, and the moderate Negro racists. At one time or another depending on the circumstances, these groups are thought of by most in our country as being on opposite sides of the issue. This is a fallacy. There is another group of people in this country who stand in opposition to those who are opposed only in their means but who all have the same end in mind. What many fail to recognize is that the proponents of *Negro* civil rights, black power, and white or black supremacy are all on the same

side of the issue. On the other side are people like me — the individualists — who have no need for group identification. These people, of all races and with varied backgrounds, do not sacrifice themselves to others and do not ask that others sacrifice their lives to them.

#### ***Individual Rights or Collective Wishes***

Those of us who have not had to think in terms of race before are now being intimidated by a race of people who are demanding much more than a chance to live. With the help of their white cohorts, they have succeeded in jeopardizing the lives of us all by demanding that we sacrifice our individual rights to their collective wishes. Pushing Congress to implement the theory of "from each according to his ability, to each according to his need" is leading us all into collectivized slavery.

Because I am a Negro, I would like to make public my thorough disgust for the stand so many have taken as speakers for Negroes. They may speak for Negro racists. But they do not speak for those individuals for whom being a Negro means no more and is as inconsequential as a thimble of water dropped into the ocean. Being a Jew, a white Christian, a

Negro, or a Puerto Rican is by no means a satisfactory or realistic measure of man as far as individualists are concerned. And living as individuals would be far easier if white and black racists would take their groupism away from this world, to another universe where man does not exist. For what they preach is anti-life, anti-man.

This summer, a well-known news commentator made the following observation: "... a formless, generalized hatred of white people is not easy to answer. It may be impossible. If anyone knows the answer I have not heard it."

### **There Is a Solution**

There is an answer. That answer is to give no sanction to and no excuses for hatred. This summer's rioting, looting, and sniping was an expression of hatred for life — which means, productivity — which means, responsibility — which means, choosing to think for oneself and acting on one's own volition. This summer's madness was just one more revelation of the fact that hatred for a responsible, productive, and rational life has been transformed into hatred for a group of people. Not all white men are responsible, productive, and rational persons; but many of them are, and many Negroes are,

too. Yet, when some Negroes say "I hate Whitey," they are not speaking of particular men; they are speaking from emotions that reject the basic principles of human life. When they express their hate, they not only do harm to themselves but they make it difficult for those of us who love life to live in peace.

Why the hate? Why the escalation of that expression? It is simply that it is easier to have hatred that is *sanctioned by the hated* than to live in peace with one's neighbors. When one hates, one must negate something. In this case, many Negroes have negated their own self-interest as well as the individual rights of others. Hatred is a negative emotion and it begets only the negative. But if told he is justified in his hatred, a man possessed by that ugly emotion will not question his motives; instead, he will go full-force toward destroying what he hates — those who pleaded their "guilt," thereby giving him the "gun" he turns on them.

### **With Justice for All**

How do you deal with the brand of hatred we've experienced in the past months? You give it no sanction, no money, no food — *nothing*. You do it justice; you do not give it mercy. Mercy in the form of OEO projects, free food, clothing,

housing, medicare, and Presidential Commissions is not the answer. A race of people is strangling this nation and they are doing so at the expense of the rights of others. When a man chooses to use force to obtain values, he is no longer to be dealt with as a man; he is to be dealt with as the brute he is. (By force, I mean anything from government welfare agencies that cannot operate except by forced taxation, to the use of bricks, clubs, and guns). You don't plead with a sniper — you don't *give* goods to a man who has just finished looting another man's property — you don't claim as "victims" those who stood by when trouble was brewing and did nothing, said nothing — you don't forgive the inexcusable — you don't give patient audience to your destroyer — you don't give your destroyer reason to count on your pity or your guilt — you don't deal with people who ask your help in the tone of a threat.

You don't pity; you grant justice. Pity offers an escape from

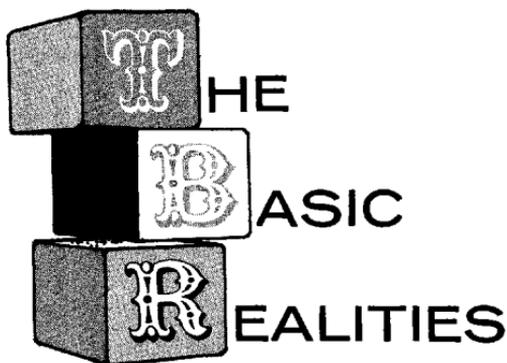
reality; it is a blank check on and license to evil. We have ample proof that such pity and mercy are destructive. Justice is recognition of the fact that one must never seek or grant the unearned and undeserved, neither in matter nor in spirit. And the only justice that can be granted to those who demand the fruits of another man's effort is indifference. They must know, too, that once they initiate force on another man they relinquish their hold to *all* rights and will be dealt with accordingly.

The real victims of our state of affairs, however, are the individualists. As one among this group, I ask to be left alone and to be relieved of being forced by my government to pay for the evils of others. I have good reason to believe that I am not alone.

I thank you for reading what I have to say. It is my hope that you will join me in doing all you can to protect the rights of the individual from encroachment by groups and by government.

Reprints of the above article  
are available for 3 cents each.

Correspondence for Miss Wortham may be  
addressed to THE FREEMAN for forwarding.



THE  
BASIC  
REALITIES

LEONARD E. READ

JETS! Autos and cornflakes! Reapers and homes and dishwashers! Trains and pencils and microscopes and ships! Clothes and computers and flowerpots and radios and watches! The list of these supposed realities, the things we see and touch, is virtually endless — and still growing.

Can it be that these material things are not themselves fundamental but are in the nature of shadows cast by human qualities we cannot see with the eye or touch with the hand?

Dr. Donald Hatch Andrews, the renowned scientist, answers in the affirmative:

I suggest that we postulate that the intangibles of truth and beauty, human freedom, courage, honor, honesty are the core of the truly basic realities; and that the supposed reali-

ties which we see and touch and feel are really only shadows cast by these truly basic dynamic forms. . . .<sup>1</sup>

Why, one might ask, should anyone devoted to an understanding of economics wish to examine this postulation? Would this not be turning away from day-to-day practicality? Are economists not primarily interested in the removal of poverty, in a proliferation of these things by which we live and prosper? Is not economics the study of the production and distribution of wealth, the efficient and just allocation of scarce resources? Granted the high value of truth and beauty, freedom, courage, honor, honesty, of what

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<sup>1</sup> Donald Hatch Andrews, *The Symphony of Life* (Lee's Summit, Mo.: Unity Press, 1967), 440 pp.

relevance are they to material well-being? Do not these intangibles pertain to another realm of life? How can voice delivery at the speed of light, for instance, be but a shadow cast by these spiritual attributes?

The answers to these questions take an unconventional turn if the postulation proves correct. And, further, the study of economic welfare must undergo a drastic shift in emphasis.

But is the postulation valid? I believe it is, that material well-being — the possession of things we see and touch — is no more than a potential dividend of moral rectitude.

To approach the matter from the negative side, is it not a fact that a high standard of living is out of the question when and where moral depravity is the mode? A society of thieves would soon perish of starvation, as would a people bereft of freedom, or unattentive to a search for truth. Were dishonor, ugliness, and lies the general practice, life itself, let alone affluence, would be impossible.

On the basis of these simple observations, are we not warranted in concluding that material well-being has to be preceded by certain spiritual attributes and that the things we see and touch are shadows cast by these intangible but real forces?

Admittedly, the study of economics aims at finding out how better to produce and distribute the material things by which we live and prosper. But, assuming the correctness of our postulation, economics of the meaningful brand is a discipline founded upon and secondary to a high moral order. A truly productive, trading society must presuppose men of some rectitude, not rogues.

### ***Political Authoritarianism***

We must distinguish, however, between true and false economics, the latter being a roguish sort of business. Merely observe the “economists,” in business as well as in the academies, whose systems involve feathering the nests of some at the expense of others, who would rob countless Peters to fatten selective Pauls, and who pay honor to little more than their own schemes. We witness in these instances the “economists” themselves lacking the moral and spiritual attributes which must be presupposed for fruitful economic activity. This sort of thing — systems aimed at controlling individuals in their economic behavior — should not be referred to as economics but as manifestations of political authoritarianism.

Parenthetically, something is amiss in our vaunted educational institutions: turning out authori-

tarians and calling them "economists" who, in turn, teach authoritarianism and call it "economics."<sup>2</sup> This parallels in confusion our "educated" people who commend and lend cooperation to gambling (lotteries) as a means of financing the same brand of schooling that "educated" them!<sup>3</sup> They would do well to heed Emerson, ". . . the end pre-exists in the means."

So, I claim to be false that brand of "economics" which pertains to the immoral, egotistical, and satanic, namely, how forcibly to control the lives of others.

### ***These Things Shall Be Added***

Economics proper is concerned with the behavior of men in voluntary, cooperative, competitive, private activity — with the governmental agency of force limited to keeping the peace.

Within that framework of how men behave when moral and free, we do indeed discover that the tangibles — the things we see and touch — are but shadows cast by the

basic realities: truth and beauty, human freedom, courage, honor, and honesty.

The postulate we are trying to examine is simply a scientist's rendition of "Seek ye first the Kingdom of God and his righteousness, and all these things shall be added unto you." No mention is made of *how* "these things" — the tangibles — shall be added. Merely seek what is right and true and they shall be forthcoming without further ado, automatically, so to speak. In short, so goes the promise, "these things" are but shadows cast by finding and observing the verities.

The mystery of such "manna from heaven" largely accounts for the all-too-common rejection of this counsel offered by first a biblical and now a scientific writer. Ever so many persons, particularly the pragmatists emerging from our modern educational institutions, are reluctant to accept anything bearing the stigma of mystery; they accept only that which their little minds can analyze and explain.

Investigation into how a moral people behave when free — the valid brand of economics — overwhelmingly supports the view that "these things" are shadows cast by spiritual attributes.

Here is but one example among many. This is written on a hot,

<sup>2</sup> For what this writer believes to be amiss in education, see Chapters XV, XVI, and XVII in *Anything That's Peaceful* (Irvington-on-Hudson, N. Y.: The Foundation for Economic Education, 1964).

<sup>3</sup> Education is the excuse used to justify the New York State lottery. For a critique of gambling as a means of financing governmental activities — education or whatever — see "Kakistocracy," *THE FREEMAN*, August, 1963.

humid day in August, but an air conditioner keeps my workroom at a comfortable temperature. The startling fact is that not a person on the face of the earth knows how to make this new-fangled gadget, nor has any living person had more than an infinitesimal part in its making.<sup>4</sup> Yet, air conditioners exist by the millions, cooling homes, offices, laboratories, automobiles, airplanes, you name it! If this is not a phenomenon, pray tell, what is!

How are we to account for this miracle that has happened to us? And why has it not happened to various other persons or groups?

It is evident that there could be no air conditioning in a society of thieves. Or among a people whose promises are naught but babble. Or among those whose search for truth is so remiss and shallow that the value of industry, thrift, initiative, and other virtues stands unrevealed. Or among slaves where freedom does not prevail. Or among a people so lacking in courage that all innermost convictions remain forever hidden. A society of liars would lack air conditioners, planes, autos, food — and could not long survive.

It should be plain that these

miraculous conferments can happen only to a people more graced with rectitude than damned by depravity. Nor is it too difficult to see why.

At the level of economics — secondary to the moral order — exchange is the key to abundance. To appreciate this fact, merely contemplate your plight were you left exclusively to your own resources.

### **Willing Exchange:**

#### **Key to Abundance**

There are two kinds of exchange: willing and unwilling.

Unwilling exchange is of the authoritarian brand: the forcible exchange of one's income to finance idleness, to put men on the moon, and the like. Unwilling exchange is beyond the pale for no other reason than its coerciveness. Were another reason necessary, its inefficiency could be cited. The Russians, for instance, are the leading practitioners of unwilling exchange.

Willing exchange is the key to abundance at the economic level. In the U.S.A. alone, these exchanges — the tangibles and the intangibles — run into inestimable trillions daily, so numerous and ordinary that we are scarcely conscious of them.

Willing exchanges, essential to the removal of poverty and the

<sup>4</sup> For more detailed explanations of this irrefutable claim, see "Only God Can Make A Tree — or a Pencil" in *Anything That's Peaceful*, and also my recent monograph, "Where Lies This Fault?"

source of economic gain,<sup>5</sup> are more prolific among honorable people, those whose word is as good as their bond, than among dishonorable people. We avoid trading with cheats and liars as we avoid the plague. *Willing exchanges run to men of veracity*; they proliferate where the verities are sought and observed; the better these truths are understood and practiced the more numerous the exchanges and, thus, the more are "these things" added unto us. It is literally true

<sup>5</sup> See "Freedom's Theory of Value," THE FREEMAN, October, 1967.

that the supposed realities which we see and touch are but shadows cast by truth and beauty, human freedom, courage, honor, and honesty.

It is implicit in these reflections that the economist who is not first a student of the verities—moral philosophy—must perforce depend on others for an understanding and spread of righteousness, the basic reality to which his discipline is secondary. But far better if both disciplines are mastered by each and every one of us—by you and me. ♦

#### IDEAS ON LIBERTY

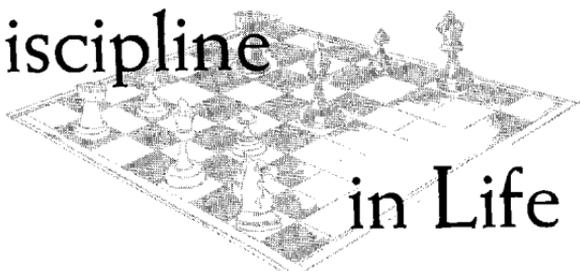
#### *Swayed by Passion*

WHEN A STATE has weathered many great perils and subsequently attains to supremacy and uncontested sovereignty, it is evident that under the influence of long established prosperity, life will become more extravagant and the citizens more fierce in their rivalry regarding office and other objects than they ought to be.

As these defects go on increasing, the beginning of the change for the worse will be due to love of office and the disgrace entailed by obscurity, as well as to extravagance and purse-proud display; and for this change the populace will be responsible when on the one hand, they are puffed up by the flattery of others who aspire to office. For now, stirred to fury and swayed by passion in all their counsels, they will no longer consent to obey or even to be the equals of the ruling caste, but will demand the lion's share for themselves.

When this happens, the state will change its name to the finest sounding of all, freedom and democracy, but will change its nature to the worst thing of all, mob-rule.

# Discipline



## in Life

ONE of the most important needs of young people going out into the world from university and high school is discipline.

We need to know about discipline because we simply cannot get along with other people without it. By the time we finish our formal education we have become persons, with status in a group entitling us to rights and imposing responsibilities.

Some acts are commanded or forbidden by the general opinion of humanity. The discipline of law is the good man's defense against the unjust actions of other men. Other areas in life are governed by rules agreed upon so that people can work and play together: the rigidity of the squares and the moves in chess, the rules of a trade union, the by-laws of a cor-

poration, for example, and the regulation of traffic.

There are other activities in which discipline plays its part. It was Cromwell's discipline of his army that broke the cavaliers; it was Thomas Aquinas' personal discipline that enabled him to write his magnificent summations of duty and responsibility; it was the discipline of a great cause that took the little ships to Dunkirk with nothing more to guide them than directions scribbled on the back of an envelope.

We are troubled today because disciplines to which we became accustomed through the ages are coming into conflict with new customs in a changing society. This is a confused period, when many people have lost or have thrown overboard the old standards without acquiring new ones. We fear that we may be shaken loose from

our moorings in respect to marriage, economics, politics, government, freedom, democracy, and a host of other things we have cherished.

This is happening in a time when we have achieved material certainty such as we never before enjoyed. Her Majesty the Queen said in her Christmas Day broadcast: "It is not the new inventions which are the difficulty. The trouble is caused by unthinking people who carelessly throw away ageless ideals as if they were old and outworn machinery. They would have religion thrown aside, morality in personal and public life made meaningless, honesty counted as foolishness, and self-interest set up in place of self-restraint."

### ***Nature's Discipline***

Everyone who has studied mathematics, physics, and chemistry has learned about the systems and disciplines of nature. He found that a leaf, a drop of water, a crystal, a moment of time—all these are related to and are part of the perfection of the universe. Nature is a discipline. As Confucius put it: "Order is heaven's only law."

What we admire as order and beauty in the final form of any natural manifestation is the product of the measured discipline of its development, like the ebb and flow of the tides, the systole and

diastole of our hearts. Without these disciplined motions there would be no growth, no achievement, no thought, nothing.

We must beware of thinking that discipline means fixity. A wave pattern is pleasing by its rhythmic alternation of dark and light, of high and low, but we know that every wave, viewed at close range, will show differences that will never recur in quite the same form. Nature is not so regimented as to make no allowance for some degree of latitude for the individual creatures within it.

One advantage of having life run along in good order or pattern is because good order tends to get the most out of things with the least labor. It is 2,300 years since an Athenian writer gave as an example of disorder the actions of a farmer who threw into his granary barley and wheat and peas together, and then, when he wanted barley bread or wheaten bread or pea soup, had to pick them grain by grain, instead of having them separately laid up.

Discipline helps us to establish a pattern. Deep in us we dislike chaos. When we succeed in forming a pattern, it becomes familiar and comforting. By following it we find that we can solve more problems with fewer false starts. We learn the pleasure to be found in a symmetrical life.

### **Social Discipline**

Like nature, society has its discipline, a sort of standardized manner in which groups behave.

The discipline of society may be thought of as something in which one must qualify if one is to become mature. Society has certain common expectations, upon the basis of which people are able to cooperate and regulate their activities.

It is obvious that society can continue to exist only under certain conditions. Newcomers, like young people who leave adolescence behind them and step into the world "on their own," must learn and carry on the techniques and rules of the society. Just as in the classroom the students act in expected ways and the teacher has a different kind of activity, so in the wider environment different people have different tasks but all must act within a discipline that gives society an orderly form.

There are few fixed social levels in Canada. A person finds his own place in the social structure according to his capacities and energy. In striving toward his ideal he needs to keep in mind that customs and laws are not obstacles to be crashed through or hurdled or evaded. They are to be respected as conditions of the vital functioning of society. They are conditions of freedom because the only alter-

native to the rule of law is the tyranny of the strongest. Hendrik Van Loon said bluntly that we obey the law because we know that respect for the rights of others marks the difference between a dog kennel and civilized society.

Compulsion in social discipline gets its influence from long acceptance of it by the majority of the people concerned, but regulation by the *Criminal Code* has for the average individual less significance than a host of the less formal controls which surround him.

Sophisticated people are more influenced by custom than they like to admit. They do not think of these customs as being part of social discipline. Yet nine-tenths of what we do in all our waking hours is done in unconscious conformity with group habits, standards, codes, styles, and sanctions that were in existence long before we were born.

### **Self-discipline**

In the turmoil of today, wrote Lord Beaverbrook in his book, *Don't Trust to Luck*, man "can only keep his judgment intact, his nerves sound, and his mind secure by the process of self-discipline."

We go a long way toward maturity when we substitute inner discipline for outer. Two men of different skills, more than two thousand years apart in time,

The test of greatness of liberty is the extent to which we can be trusted to obey self-imposed law.

agreed on this. Socrates, the Greek philosopher, taught self-discipline as the first virtue, saying it is necessary to make the other virtues avail, and Charles Darwin, author of *On the Origin of Species*, declared, "The highest stage in moral culture at which we can arrive is when we recognize that we ought to control our thoughts."

It is not necessary to think of self-discipline as something like self-punishment. We do not need to walk through fire or sleep on nails as certain sects in the East do; we don't need to go around with our noses in statute books or treatises on ethics as certain reformers in the West do. We see self-discipline in the boxer who halts his blow in mid-air at the sound of the gong, in the office manager who reflects before censuring a worker, in the mother who refrains from punishing her child in the heat of anger.

The man who gives in to the enjoyment he finds in flying off his control center, who cannot discipline his own stormy moods, will find opportunities for advancement eluding him. He may be endowed with great ability and he

may have developed this by intensive study, so as to be capable of great things, but he is like Napoleon, of whom Sir Walter Scott said, "the wonderful being who could have governed the world, but could not rule his own restless mind."

Minds which have the greatest natural power have most need of training, just as the most mettlesome horses need schooling to make them useful.

But, says someone, what about our liberty, in which we take so much pride? Discipline is not antagonistic to liberty. License of behavior is not a proof of freedom. The test of greatness of liberty is the extent to which we can be trusted to obey self-imposed law.

It is not true that we have no choice except between lawless exercise of private license and the strait-jacket of conformity, with no leeway for the exercise of responsible judgment and the freedom of decision that goes with it. As we found in discussing the disciplines of nature, life is order, but order with tolerances.

Self-discipline means that we

do not act according to our likes and dislikes, but according to principles of right and wrong. It gives us freedom within the law: responsible freedom to move within an orbit as wide as, but no wider than, what is in harmony with preservation of the overall order on which survival and effective living depend.

Hence arises the virtue in moderation, the avoiding of extremes, the putting of all things in their proper place. Ambitious young people will show themselves worthy of the advantages they enjoy by the moderation with which they use them.

### ***Finding One's Identity***

Identification of one's self with established duties and rights is part of the process by which a person attains social personality.

The problem of duty may be summed up in this way: the worst reason in the world for not doing something is that you don't like to do it. The important question is: should you do it? The person who follows only his likes and dislikes has not grown up.

To help us find our way toward doing our duty, society has evolved morals and conventions. These are traditional generalities concerning right, wrong, duties, totems, and taboos. Some have been made formal in command-

ments and codes of ethics. They lay hold of raw, uncultivated man and smooth his surface and help him adjust to social living.

It is evident, then, that there are two sources of discipline: one that is outside the person and another inside. Social pressure is concerned with the regulation of conduct and manners; the inner discipline urges us "to thine own self be true; thou canst not then be false to any man."

Our personal standard is kept in line by conscience, which may be thought of as the human mind applying the general principles of good behavior to individual actions. It is our personal judgment on acts about to be performed.

There is a great area of life in which there are no "must" signs, a place wherein we recognize the sway of duty, fairness, sympathy, taste, and all the other things that make life beautiful and not just ordinary.

Lord Moulton described this area in a picturesque way. It is, he said, the domain of obedience to the unenforceable; the obedience of a man to that which he cannot be forced to obey. It is no mere ideal, but is strong in the hearts of all except the most depraved. In illustration, Lord Moulton cites the sinking of the *Titanic*, when "the men were gentlemen to the edge of death." Law

***It may be a great part of the richness of our Western culture that we have so many areas in life subject only to the urge to do what is right and fitting, without compulsion.***

did not require it. Force could not have compelled it. The feeling of obedience to the unenforceable was so strong at that moment that all behaved as, if they could look back, they would wish to have behaved.

It may be a great part of the richness of our Western culture that we have so many areas in life subject only to the urge to do what is right and fitting, without compulsion. True civilization may be measured by the extent of this land of obedience to the unenforceable.

### ***Family Discipline***

When we see someone away off the beam socially or personally, it may mean that he did not come up against the discipline boundary line at a time when he could have learned without hurt.

Since ages before history began to be written, the hearth has been the symbol of family life. The human emotions and customs formed there are the most important and abiding features of life. In all the essential human traits the person is the product of the family group and its mode of life.

Every parent knows that the natural tendency of children is to do what they like and to avoid doing what they do not like. The first everyday problem of every parent is to teach his children to do the things they should do, whether they like them or not, and to avoid doing the things they should not do, even though they like to do them.

Discipline is necessary to daily life in the family, not only for health and safety and tranquility, but also to produce the habits of social behavior which avoid perpetual quarreling. Children must be taught certain fundamentals like respect for other people's property and rights, and esteem for others as individuals. They need to learn, if they are to fit happily into society, to live within the law and to be honest and wholesome.

Children owe duty and loyalty to their parents. E. W. Scripps, the hard-headed newspaper publisher, declared flatly: "There has never been a time when violation of the fifth commandment has not produced a tragedy."

The truth is that children be-

lieve in parental discipline. A survey of 96,000 high school pupils in 1,300 schools in the United States revealed the clear-cut opinion that parents should carefully restrict their teen-age sons and daughters as to hours, frequency of dates, places of amusement, choice of associates, smoking, and drinking. In Canada, fully three-quarters of the public think, according to a Canadian Institute of Public Opinion poll, that home discipline is not strong enough.

The responsibility of family nurture is not one that can be passed on to other institutions. The school, the church, and various societies have their proper functions, but no institution can fill the place in education and discipline that rightly belongs to the family.

Parents need standards. The secure child is the child who comes to know what his parents stand for, and that, as Dr. Henry C. Link writes in *The Way to Security*, they cannot be shaken from these standards by arguing or wheedling. Where the parents are sure of their principles, the child will be sure of his parents.

There are two main road blocks in the way of realizing perfect parenthood. Many parents in this scientific age have lost the convictions of their grandparents and have not been able to replace them

with a set of their own; others are trying to live out their own frustrated wishes through their children.

### **Discipline in School**

Good discipline in school requires that we establish and maintain wholesome conditions for learning.

Teachers cannot be expected to transform children who are spoiled at home into orderly, well-balanced human beings. The school can impose no stronger discipline than the parents exercise or will support. "How can you work with a youngster in school," asks an article in *The Educational Record*, "if he hears at home that the school is no good, the teacher doesn't know what she's talking about, and the principal had better watch his step?"

Discipline is needed in school, not only for the better management of classes and study, but also because of its value as a habit in later life. We all have to meet standards in adult life; it will be easier to do so if we learn to toe the mark during school days.

Some teachers try to be "pals" to their pupils, but the children have friends their own age and look to the teacher for something different: leadership. That leadership needs to be positive. It does not demand an assault upon the

The principles implanted through school discipline will be based upon pleasure in growth and achievement, not upon extremes of repression or leniency.

child's will, but it means persuading his will to desire the right things. The principles implanted through school discipline will be based upon pleasure in growth and achievement, not upon extremes of repression or leniency.

### ***In Office and Factory***

Like every other activity, business is carried on in a complicated social setting where habits, customs, conventions, and laws blend together to determine daily procedure. The office and the factory must have discipline, and giving force to that discipline is the responsibility of management.

Workers must pull together if their group effort is to be effective. Every person must do his fair share of the work, contribute to order and efficiency, and be considerate of the feelings of his fellow workers.

The duty of maintaining discipline is one of the hardest functions to get foremen and managers to discharge. Discipline is not so simple today as it was a half-century ago. Then it was mostly a matter of imposing the will of the boss by main force of voice, fists,

and the threat of dismissal. Today, leadership of the human type is gaining ground rapidly. It requires knowledge, tact, and integrity. The foreman who wins the respect of his workers has practically solved the problem of departmental discipline; he has secured their willing cooperation.

The ideal sort of discipline is not gained by posting rules and regulations on a notice-board. The more rules a manager imposes upon his men, the more he raises their resentment because of the implication that they are incapable of self-direction. But a certain minimum of regulation is necessary to efficiency, safety, and smooth operation.

### ***Consistency***

Whether in the family, school, or factory, consistency in discipline is vitally necessary. Rules that only threaten, and are not enforced, are like the log that was given to the frogs to be their king. At first they feared it, but soon scorned and trampled on it.

Consistency starts with clarity. Let your rules be clear. Tell the reasons on which they are based.

Announce who is responsible for their enforcement.

The rules being made known, it is unfair to the working force to allow one or two persons so to conduct themselves as to hinder the efforts of the rest of the group. Leniency is cruel, not only to the group as a whole but to the offender. He who has been forgiven a hundred times learns to believe that he has no real faults to be forgiven.

Be consistent, too, in enforcing rules even when infraction of them has not resulted in material damage. Historians tell us instances from the long-ago past, three of which will illustrate the point. In war, the Romans inflicted punishment more often on soldiers who attacked contrary to orders than on men who had abandoned their posts when pressed by the enemy; a Greek general was awarded a garland for his victory, but fined a thousand drachmas for going out to battle personally unarmed; a ruler enacted a law that no one might possess over 500 acres of land and was punished according

to his own law when it was found that he owned more.

Our reward for self-discipline and the acceptance of social responsibility is not necessarily money or power, but self-respect and the respect of others. To have control centered in us does, at the very least, preserve us from being dragged through life like slaves.

If a man is not the sort to seize upon discipline as something contributing mightily to his life happiness — a constructive force, a protective force — then he just must bear with it, for he cannot escape it.

It is better to make discipline something that will help us to get what we want out of life than to be driven into accepting it as a pitiless force.

Discipline has a happiness value. It will not save us from having to make choices, and therefore of sometimes making mistakes, but it will help us to assess the chances and choose more wisely. Quite often we shall find that the stern thing which discipline orders is the wisest, the best, thing. ♦

#### IDEAS ON LIBERTY

### *Self-Salvation*

I am surrounded by a multitude of men and women pathetically eager to save the world, but strangely unwilling to submit to the austere self-discipline of saving themselves.

# THE *Mixed* Economy MIRAGE

MELVIN D. BARGER

PLEASANT REASSURANCES crop up regularly in commentaries these days to the effect that we now have a "mixed economy." This is good, the commentators say, and a reason why there'll be continued prosperity along with a measure of stability. The mixed economy, it's argued, tends to give us the best of both worlds; we can have the productivity of traditional free enterprise combined with the wisdom and objectivity of an all-wise, all-protective government.

But what reassures people the most is the implication that the major changes in the structuring of the economy are now behind us, and that the present mix is the pattern for the future. We face not socialism, but a rather companionable arrangement much like the present, in which certain businesses will be owned and operated by the government, some will be owned and operated by the private sector, while still others will be privately owned and managed but

must operate under government control. There's something in this succotash to please the proponents of every social philosophy, and many of the commentators only stop short of saying that the mixed economy is really the long-sought millennium.

Quite likely, however, the mixed economy is more mirage than millennium. The belief that the economy will continue indefinitely in its present mix is probably an illusion based on wishful thinking, because there are too many ideas in force and trends in motion that portend more major changes and continuous adjustments in the direction of increased collectivism. We have not arrived at a "mixed economy"; instead, we are really on a journey toward a thoroughly socialist one. There are several reasons why this is so.

## **No End to Socialism**

One reason why the mixture will become more socialistic is that socialists are the real architects of the present state of af-

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fares; and in their view, a "mix" is really only a transitional phase. This is not to label as "socialist" the legislators and other political leaders of the past few decades who sponsored and voted for the laws that changed the economy. Most of them were highly in favor of the traditional American patterns. But the ideas and proposals which they adopted were formulated and skillfully offered in piecemeal fashion by men who frankly despised capitalism and believed it to be the cause of much human suffering. They were not out to modify the existing system; they were bent on replacing it; and for the most part, this is still the purpose of the writers and intellectuals who supply most of the basic ideas which later appear as legislation.

The socialists probably won their most important victory with the gradual adoption of their view of property rights — something which may have happened as long as 50 or 75 years ago. They view property possession and control as a privilege granted by the state, revocable at any time the state requires use of the property or the holder uses it in a "socially undesirable" manner. The traditional American view was that property rights were almost as important as a man's right to life and should be modified only under the

most extraordinary circumstances. But the view that property possession is a privilege rather than a right gradually won favor. The result has been the extension of government control into every activity, usually on the grounds that people are abusing their privileges or not meeting their obligations.

### *Inherently Unstable*

Another reason for the continuing socialist drift is that the mixed economy has an unstable tendency caused by the pleadings of special interest groups. This instability seems unavoidable. The chief tools of the legislators and political managers in dealing with special interest groups are subsidies and regulations.

One difficulty with subsidies is that they never quite answer the problems or the wants of those subsidized. At the same time, grants to certain groups always inspire others to seek similar favors. Subsidizing seems to be a self-perpetuating process. The taxing and inflation necessary to subsidize certain groups soon pinches almost everybody, with the result that further subsidies are demanded.

The same self-perpetuating process seems to apply to government regulation, with each special interest group pleading for tighter regulation of its competitors or its

adversaries but not of its own affairs. Human nature being what it is, such developments are fairly predictable; but in any case they do nothing to stabilize the mix between socialism and freedom. Another tendency of socialist trends is that once a measure of socialism is accepted, it continues to grow during prosperity and adversity; either condition will propel the economy further down the collectivist pathway. If the economy is prospering, the advocates of central planning quickly take credit and offer the tantalizing suggestion that if some government intervention has done this much good, more will do even better. Their cudgel is the memory of 1929 and the Great Depression, and they never tire of resurrecting this stupendous disaster and reminding us that only the benevolent hand of government prevents a repetition.

But what if a 1929 should occur even with the present controls? Socialists would never question whether existing controls helped bring on collapse. They would simply blame the crash on the greed and short-sightedness of managers in the private sector. The business managers' attempts to protect themselves would be condemned as antisocial. Even in recent business recessions of brief duration, managers come in for considerable

criticism from government officials when they make logical operational adjustments such as inventory reductions and staff layoffs. Such criticism may be expected to reach hurricane proportions in the event of a truly deep depression. And the result would be taken as justification for more government control of business activities.

#### **No Short Cut to Freedom**

In this kind of a "heads I win, tails you lose" situation, what can individuals do to check the drift toward socialism? It does little good to warn of "creeping" or "galloping" socialism, because most people long ago lost their fear of it. "If this be socialism, let's have more of it!" they say, when praising the merits of a pet program. It also is of little avail to defeat specific socialist measures, for collectivism has been accepted up and down the line and persists as a hydra-headed monster. An individual who defeats it on one issue looks up to find ten new issues confronting him. Nor does it help much to point to the failures of socialism in other countries, because many feel that it's not a fair comparison. They say that the U.S., with its vastly superior technology and resources, has the edge on many smaller countries. The achievements of the free enterprise system ought to be

a good argument against intervention, but people prefer to believe that competitive enterprise will continue to produce lavishly no matter how much it is altered and regimented.

Possibly there is no way to halt the socialistic trend at this moment. No way has been found for a country to remain in a condition of freedom when a large number of its citizens favor certain forms of socialism; sooner or later, their feelings are bound to become expressed in the laws and economy of the country. These feelings may be based on false hopes and deceptions foisted upon them by unscrupulous leaders and clever propagandists; but if false ideas are accepted, they are for a time the reality one has to face. Though it may be clear to a few individuals that these false ideas will someday produce grim results, there's little that can be done if the majority insists that bad ideas and bad laws must run their course.

### ***Individuals May Be Trusted***

There is hope, however, in the good common sense of individuals, which can be trusted in the long run to spot falsehood and to do something about it. There's been considerable disillusionment lately with majority rule, which many had thought to be a panacea for

the world's problems. Majorities, it's being learned, can institute tryannies quite as harsh as those imposed by one-man despotisms. But individuals can learn to do better than they have done, and so can ruling majorities. This correcting process may not work smoothly and automatically, and for a time the power of the majority in the United States may even be supplanted by a ruling elite, as seems to be happening now in Britain. Yet the long term future for good ideas is bright, for the simple reason that freedom works, while regimentation fails.

The duty of the libertarian is to keep his own thinking straight in this period of vast change. He should think of what ought to be, rather than what is. His beliefs may not be politically popular, but this does not mean they are wrong or that they will not be revived and accepted at a later date. Truth is not determined by a show of hands, and the fact that people will not vote for what is right does not destroy the truth. Crushed to earth, truth always rises again and challenges men to re-examine what they have done. That will be easier to do, in social affairs, if believers in the ideas of freedom stick to their principles and forget such passing illusions as the belief in the permanency of the mixed economy. ♦

# The New Industrial State

I WAS ONCE a co-worker with John Kenneth Galbraith on *Fortune Magazine*. Presumably, in the course of carrying out writing assignments, we must have been subjected to similar influences. But what he saw, I failed to see — and vice versa. In his amiably sardonic way he used to refer to myself and to John Davenport as “Puritan” economists, meanwhile reserving for himself the adjective “Rumanian.” By this he meant that he had no interest in the economizing function, which would attempt to use scarce means in the most productive way. To Galbraith as to Thurman Arnold, an overloaded payroll was simply a means to the end of spreading leisure and sharing a fixed amount of wealth among more people. He welcomed stagnation as a release from creative tension.

The Galbraith ideas have now been worked up systematically in

a long, somewhat repetitive book called *The New Industrial State* (Houghton Mifflin, \$6.95). I read it with considerable interest for reasons that are largely autobiographical. For Galbraith has embraced every belief that seemed revolutionary — and therefore exciting — to my own generation thirty and even forty years ago. He is the perfect Veblenite, even to his habit of seeking out the phrase that will best combine suavity and immeasurable scorn. Here is the “conventional wisdom” of the 1930 radical, preserved under a bell jar for consignment to the nearest museum of antiquated economic curiosities. Yet Galbraith thinks he is a red-hot ideological innovator! Never has such self-delusion received such a respectful hearing (though the good reviews, one notices, have come not from the economists but from liter-

ary critics who are almost totally innocent of the history of economic ideas).

### **Veblen's Influence**

Galbraith's theory is that the commanding influences in modern economic life dictate a suspension of market forces. We all believed this back in the late twenties and early thirties when we were talking about Veblen's *The Engineers and the Price System* and eagerly awaiting the publication of the gospel according to Berle and Means. The big corporation supposedly was in a position to suspend "pure" competition. It could dictate its prices, control its sources of supply, and reach out, via the advertising skills of Bruce Barton and Roy Durstine, to bamboozle the customer into taking whatever the corporation stylists ordained for the so-called "market."

When I went to work for *Fortune Magazine* in 1936, I was a Veblenite par excellence. After writing corporation stories for six years, however, I wondered how I could ever have been so innocent. In support of his thesis that the modern "technostructure" keeps itself in power in the big corporations by controlling the future despite restless stockholders and the menace of competitive change, Galbraith cites the mis-

adventure of the Ford Company with the Edsel as the exception that proves his rule. I might have believed this myself if I hadn't been forced by Harry Luce to visit Detroit, Toledo, Pittsburgh, and way stations to look at changing factory routines and to talk to people who, with an air of conspiratorial confidence, told me about the thousand dodges that enable a member of a "big two" or a "big three" to steal business from an "oligopolistic" competitor. My conclusion from a novitiate in writing for *Fortune* was that the system even at its most "oligopolistic" was shot through with competition, both open and hidden. But Galbraith, writing for the same magazine, apparently listened only to the front-office fellows who believed the propaganda of their own trade associations about "sharing" markets.

Galbraith is at great pains to prove the singularity of the Edsel story. But just how singular was this episode? I recall writing about the dilemma faced by General Motors in the year of the "pregnant Buick," when the GM stylists were suddenly confronted with a car which few people wanted. Some years later GM committed itself to the rear-engine compact called the Corvair. This was a concession to the popularity of the Rambler American on the one hand,

and the invasion of the American market by the Volkswagen on the other.

Alas for the planning of the GM "technostructure," the Corvair fell foul of two sets of assassins. One of them was Ralph Nader. But the other was the American consumer, who, when a predicted depression failed to materialize, decided that he didn't need to worry too much about the cost of supporting a more commodious car. For a few short months George Romney, as head of American Motors, seemed to be making considerable hay with his propaganda about the "gas-guzzling dinosaurs" which required so much money for operation and upkeep.

But where is the American Motors Company today? Its good ideas were imitated, its shortcomings live to plague it. As for the consumer, he cannot be compelled to any single style of car. His general preference seems to be for the rakish lines pioneered in Europe at a time when Madison Avenue thought it had bamboozled the car-buying public into accepting jello-mold features forever, but — who knows? — maybe the balloon-roomy style will be back in vogue tomorrow.

### **Consumer Pressure**

Galbraith wants to eat his cake and have it, too. He pictures the

industrial "technostructure" as a group which is in thorough control of the situation: it can set prices, manipulate the minds of buyers, bribe the workers by progressive wage increases, and cajole the state into underwriting the purchasing power of the masses by various inflationary devices. Yet this same technostructure is pictured in savage competition for the better scientifically trained manpower. There is a contradiction here, for if the management of big industry had the power which Galbraith ascribes to it, why the eternal scrabble of corporate "ivory hunters" for inventive minds and processes? The truth is that the big company which fails to innovate goes under, as such studies as A.D.H. Kaplan's *Big Enterprise in a Free Society* and the works of Schumpeter have so abundantly proved. The innovator moves to the unseen prod of the consumer, who may not know precisely what he wants but does know that he wants variety as his own share of the national income increases.

### **Pure and Imperfect**

Galbraith makes great propaganda with his insistence that the modern market does not represent "pure" competition. But, save in the case of such identical things as wheat measured by the bushel,

there has never been a "pure" market. "Workable" competition was the order of the day when the firm of Boulton and Watt was "administering" the prices of steam engines and when the better carriage makers were quoting what they intended to charge for the more expensive equipages. The tailors who sold to Beau Brummel put in an extra charge for fashion, which was the equivalent of the fee exacted by Madison Avenue fashion-makers today.

As Hayek and Schumpeter have both said, if we had "pure" competition in the Galbraithian sense, there would be no competition at all. For if everyone had such things as equal access to the market and equal foresight, nobody would have an edge over anyone else in the money-making process. Perfect foresight for all competitors would mean an end to profits. It is the very imperfection of the market that keeps innovators on their toes, results in new products, and aerates human existence.

In Galbraith's world the concept of "workable" competition plays no part. As David McCord Wright has said in a paper read at the recent colloquy of the Mont

Pelerin Society at Vichy, France, Galbraith is a prophet of stagnation. He is the first "hippie economist," as his friend Al Capp, the cartoonist, has had the effrontery to point out.

But surely, the reader might say, Galbraith's book cannot be totally devoid of interest. It does have the incidental virtue of arguing that leisure has its place in life, and that the claims of esthetics are no less valid than the claims of economics. Moreover, Galbraith is an acute student of the psychology of the team. It is perfectly true that an IBM or a Chrysler Corporation does better when its employees have a loyalty to their organization that approximates the loyalty of the Harvard football team to its coach, captain, and alma mater. Money is not everything, and people work for more than the pay check.

But surely this is a "conventional wisdom" that is as old as Caesar's legions, or the builders of Chartres Cathedral. It is an amusing commentary that where Galbraith is good, he echoes a conventional wisdom that is virtually as old as civilization itself. ♦

- ✓ It is not sufficient that the promises of collectivism are recognized as false, says Professor Carson; the culprits must be called to account and their bankruptcy fully registered .....p. 707
- ✓ The best cure against coveting the property of others, advises Leonard Read, is to see and count one's own blessings .....p. 716
- ✓ George de Huszar turns to the humanities for a broadening of the case for liberty beyond the strictly economic appeal .....p. 719
- ✓ John Nelson, Professor of Philosophy at the University of Colorado, would remove the coercion from university and secondary education in order to upgrade the quality . p. 724
- ✓ And in the same let's-be-practical vein, America's master accountant and economist, W. A. Paton, calls for a careful balancing of the cultural and the vocational ..... p. 732
- ✓ **Nonmolestation** is perhaps the key word in Dean Russell's explanation of our interdependence and freedom .....p. 738
- ✓ Dean Lipton isn't a dean either, but he pins down a couple of troublesome words — **rights** and **equality** — which are frequently misused. p. 752
- ✓ John Chamberlain's book of the month is **The War We Are In: The Last Decade and the Next** by James Burnham .....p. 757
- ✓ Sorry, that's all for this year, and all neatly indexed by Miss Bien of FEE .....p. 761

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THE  
**BANKRUPTCY**  
OF  
**“LIBERALISM”**

CLARENCE B. CARSON

A CLEVER man can survive and even appear to prosper for awhile on very limited resources. He can live on borrowed money, shifting from creditor to creditor as bills come due, going ever deeper into debt. Promises flow from him, and plans for recouping his fortunes and producing great wealth. Many will extend credit to him, for he puts up a good front, weaves fascinating justifications for his failures, and paints seductive word-pictures of his prospects. There comes a time, however, in the affairs of the cleverest of such men when their confidence game no longer works its magic. A “credibility gap” appears; the promises, instead of attracting further cred-

it, have all become notes falling due. Notes are presented for payment; credit is not extended; the debts cannot be paid. When that happens, a man is bankrupt. Any resources he has are taken from him to satisfy, as far as they will, the claims of his creditors.

There is every reason to believe that Americans, as creditors, have been seduced for many years by the promises of men with few resources but quick wits, ready justifications of failures, and prolific promises of future returns from their policies. These people go by the name of “liberals.” The estate in which they reside—their fund of ideas—they call “liberalism.” They have claimed the title to this estate for so long that most Americans believe them. There is little

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point here in disputing their claim, though their fund of ideas might better be called by such names as utopianism, collectivism, reformism, meliorism, or even socialism. What matters is that we all recognize the subject of discussion. For this purpose, let them have the title they want: Liberalism.

At any rate, they have promised freely a great variety of blessings that would befall the American people if we would give them credit, and then extend it, and extend it, and extend it. For decades, Americans have acted as if they believed the promises; credit has been extended time and again. Their promises might be expected to attract men of good will anywhere. They have ranged from a projected world-wide good to benefits for men in their most intimate affairs. The promises have been imaginative, detailed, universal, varied, and almost innumerable.

#### **Endless and Empty Promises**

The "liberals" have promised world peace through international organization (first the League of Nations and then the United Nations), a *modus vivendi* with communists through concessions, the good will of all nations that would result from foreign aid programs, recovery from depression by inflation, a balanced budget with increased taxes, a balanced budget

through reduced taxes, the solution of the farm problem by government programs, the solution to crime and delinquency through housing programs and aid to the poor, security in old age by way of social security taxes, quality education as a result of higher taxes, peaceful labor relations by way of government empowerment of labor unions, the rescue of small business by antitrust action, the revival of cities by pouring government credit and money into them, an end to monetary problems by a Federal Reserve System, better transportation service at lower prices by government regulation, the restoration of a "balance" between rural and urban inhabitants by farm subsidies, and so on, almost endlessly.

All the while, "liberals" have boasted that they were pragmatists, that they were interested only in results, that they tested programs by their workability. This is a most interesting claim, because, as we shall see, programs that have not worked have been expanded rather than abandoned. This pragmatic claim is one that should be expected in a confidence game. The man seeking credit will wish to assure his potential creditor that he, too, is a businessman, that results alone count with him, that he will oversee carefully every aspect of his undertaking

and subject it to the most critical tests. Only when he is thus assured will the businessman extend credit. There may be nothing more to this, however, than verbal assurances.

There is a sense, of course, in which the borrower who will never repay is a pragmatist. He is pragmatic in that he judges his program of appeal for credit on whether he gets it or not. To the professional borrower, if he gets credit, his appeal worked; if the loan is denied, it did not. In like manner, the politician who gets elected to office concludes that his promises worked, though the substantial programs he proposed may have been miserable failures. In this sense, there should be no doubt that many "liberals" are pragmatists.

#### **Foreign and Domestic Failures**

Evidence mounts higher with the passage of time that the "liberal" programs do not work, that however much credit generous Americans extend, it only brings appeals for more time and larger amounts of money. Decades of experiments with reformist programs have brought results quite different from those promised. Vaunted international organizations have not brought peace and brotherhood to the world. This century has witnessed already two

horrendous world wars and, on a smaller scale, perpetual wars and rumors of wars over much of the earth. The United Nations is today a Tower of Babel on the East River where delegates of the nations of the earth gather to wrangle over whether to take up some question or other and, if they ever agree to do that, to quarrel over the agenda, the procedures to be followed, and who the villains of the piece may be. Major disturbances are placed off limits from their concern and inconsequential matters are the subject of bootless resolutions.

Concessions to communists have not resulted in a *modus vivendi* betwixt us and them. On the contrary, such concessions have served time and again as opportunities for them to spread their ideas and extend their power. Diplomatic recognition of the Soviet Union by the United States in the 1930's did not result in a mellowing of communists. On the contrary, it gave the government of the Soviet Union a means of bringing in more spies and organizing and controlling clandestine activities more effectively. Concessions, aid, even outright capitulation to the demands and requirements of Russian Communists during World War II did not transform them into warm friends emanating good will. On the con-

trary, Stalin used the concessionary mood as an opportunity to extend Soviet power into eastern Europe and Asia. Nor have later concessions produced useful results. The Soviet Union and other communist countries currently are extending aid and comfort to America's enemies on the battlefield.

Foreign aid has hardly produced a world filled with nations friendly to the United States and eager to help us in whatever exigency arises. On the contrary, France, a beneficiary of American aid going back to World War I, is vigorously following policies antithetical to those of the United States. India has a consistent record of biting the hand that feeds it. Yugoslavia has hardly been won over from communism by American bounty. Many small countries use the occasion of American aid to make even more bellicose demands. In the American struggle with the Viet Cong, most of those with whom there are alliances can offer only carping criticism of American policy and practice. It may be that much of this failure stems from the ambiguous character of the aid in the first place, but this cannot alter the fact of the failure of the programs to produce the desired results.

The domestic programs of the "liberals" have met with similar

failures over the years. Millions upon millions of people have left the farms in the wake of government programs which were supposed to make farming attractive. Surpluses accumulate of farm products priced above the market, while the prices of food and clothing rise, and more and more farmers find it difficult to make ends meet. Federal housing and urban development projects have succeeded thus far in making the hearts of many cities intolerable places in which to live and aggravating the lot of the poor. The Federal Reserve System was in vigorous operation when the United States suffered the worst depression in history. Small businessmen find it ever more difficult to survive because of the obstacles thrown in their way by government rather than by large corporations. Taxation for social security makes it increasingly difficult for wage earners to provide for their own retirement and medical care. And those who rely upon a social security "fund" for these purposes should know that there is no real fund, only the chance for Congressional appropriations when one reaches an age or condition to receive benefits.

#### **Problems Aggravated**

The "liberal" programs have failed more dramatically than the

above would suggest. They have failed to diminish crime and delinquency, to bring peace in labor relations, to stop the clamor of the poor and dissident, or to maintain fundamental order in the land. "Liberal" efforts to wipe out crime by spending billions to change the environment have been confronted by increasing crime and delinquency, violence on city streets, and more and more danger to life and property in America. Billions for education go in some part to give aid and comfort to impudent and arrogant beatniks, hippies, and whatever the unwashed may call themselves. Rioting and looting in city after city have followed government programs supposed to aid just these people. Labor strife is spreading from industrial workers to firemen, police, and school teachers. Demonstrators arise over any cause, or none at all, to disrupt services, to hurl insults at public officials, to belabor Congress, to picket the White House, to stop rent payments, to force entrance of Negroes into suburban communities, or to prevent the shipment of munitions to Vietnam. Rapists and murderers, turned loose by courts enamored with technicalities, return to commit atrocities upon innocent citizens.

The fund of ideas of the "liberals" has run dry, though excuses

still pour forth from them and their apologists. In the face of failure, they can only call for more of the same that has produced the failure in the first place. A man standing on the verge of bankruptcy will plead with his creditors to make yet another extension of the loan. His project will be successful yet, if he can only pour more money into it. So it is with the "liberals." The problems, they say, are very complex and it will take many more years to solve them. Much larger appropriations must be made in order to lick particularly tenacious problems.

#### ***The Socialist Formula Affords No Way Out***

Deeper than this, there are increasing signs of paralysis of will and failure of nerve by the Liberal Establishment, as M. Stanton Evans has called it. This is not new, but it is becoming more widespread. It has been apparent for many years now that the farm program was a failure, but "liberals" have been unable even to confess their error or to abandon the programs. The failure of foreign aid has hardly diminished their cry for more for the future. That communists have not been pacified by concessions becomes the "liberals'" case for further concessions. Looting and pillage

are greeted by calls for more far-reaching aid to the inner cities. Those in power can hardly muster the courage to deal with looting and pillage in the only way that has ever been effective — that is, by shooting looters until they stop. “Liberals” can neither pursue wars to a victorious conclusion nor withdraw. They can neither consent to vigorous punishment of criminals nor to the guilt of those who commit crimes. They can neither pay off the national debt nor even balance the budget.

In short, the “liberals” cannot cope with the situations which they have largely created. They cannot cope with them because all effective means of dealing with them are precluded by their fund of ideas. Their ideas call for peace through international organization, for accommodation with communists and dialogue to be opened up between East and West, for deficit spending to increase prosperity, for government regulation and control of the economy, for the curing of crime by improving the environment, for belief in the guilt of society rather than of individual criminals, continuous open-mindedness to all opinions however novel they may be. These assumptions must be abandoned or greatly modified if government is to become effective once again and if men are to have a better

than even chance to deal with their own difficulties.

#### **Awaiting Foreclosure**

In the loose sense of the word, then, “liberalism” is bankrupt. It has been in the ascendant for many years now. It has had ample opportunity to try its ideas. They have been tried again and again, to no avail. It is devoid — bankrupt — of new ideas to deal with the situation that confronts America. It is short — bankrupt — in programs to meet the crises that loom in America. For example, its leaders can neither bring themselves to remove the privileges of organized labor nor to administer even the laws that exist for holding it in check. The War on Poverty or Great Society of President Johnson is only a warmed over version of the New Deal — but without a depression to whet peoples’ appetites. “Liberalism” is paralyzed — bankrupt — by its commitment to programs that have been going on for decades. It is incapable of innovating. It can only press on half-heartedly to the enactment of new sumptuary laws (*vis a vis* cigarette smoking or safety features of automobiles or the inspection of meat), to special enactments of the legislature to put strikers back to work, to new controls upon enterprise, and so on, and on.

In the technical sense, "liberalism" is not yet bankrupt. Bankruptcy only occurs when a man is confronted with bills that he cannot pay, when he is forced to admit that he cannot meet his obligations or fulfill his promises. (There is also voluntary bankruptcy which occurs when a man simply states that he cannot meet his obligations, though his creditors have not yet foreclosed.) "Liberalism" is not yet bankrupt in this sense. It is still in the ascendant, politically. It is still making successful appeals for the extension of credit from the people, as it were. The national debt "limit" is still being raised, and appropriations are still being made for a vast assortment of programs. So long as this continues, "liberalism" remains in business.

#### ***Creditors Have the Option***

Bankruptcy is not automatic. It does not come simply because projects fail or because a promoter goes deeper and deeper into debt. In short, a debtor may ruin both himself and his creditors. If they will allow him, he can drag them down with him. Bankruptcy is a proceeding by which a halt is called to the whole process. Creditors decide that they will throw no more good money after bad, that they will give up on the debtor and recoup as much as they

can from such resources as remain.

It is the same with "liberalism." There is no automatic point at which "liberals" must or will proclaim their insolvency. The American people, as creditors, have the option of continuing to extend credit, to plunge themselves finally into bankruptcy along with the "liberals." They can acquiesce, or stand by inactive, while the budget is unbalanced year after year and the national debt mounts and the value of money declines, while foreign war continues with no conclusion in sight and presumptuous diplomats to the United Nations continue to whittle away at national sovereignty, while regulation destroys business after business, while the streets of cities and towns become unsafe, while looters, pillagers, and murderers prey upon Americans until the final disorder has engulfed us all in a new Dark Ages. Whole peoples have, in times past, been pulled down into the same state of moral and intellectual bankruptcy as their leaders.

#### ***Someone Must Take Action***

The present mode of temporizing with "liberalism" practiced by most politicians, even those who oppose it as a direction, will not bring it to bankruptcy in time to forestall the bankruptcy of the

American people. It does no good to insist that the debt "limit" be raised only by \$6 billion this year instead of \$10 billion or that the budget be unbalanced by only \$4 billion instead of \$16 billion. A little more bombing in North Vietnam is unlikely to bring the war to a successful conclusion. The man on the verge of bankruptcy will take whatever credit is extended and continue to make his unproductive schemes seem to work.

### ***Demand Payment***

"Liberalism's" bankruptcy will only be proclaimed when credit is shut off, when the bills are presented for payment, when the promissory notes are called. The "liberals" must be held to an accounting. They must be presented with their cumulative promises over the years, and be shown that one after another their programs have failed. They must be shown that when they have taken action it has produced such and such results.

More, for bankruptcy to be proclaimed, for the choice to be made, men must stand for political office who will promise not to temporize with the "liberal" programs and who will keep that promise when elected. They must say that the budget will be balanced, that the inflation will cease, that the debt

will be funded (however painful this may be), that wars will be fought to conclusion, that enterprise will be freed from bondage, that union violence and threat of violence will cease, that criminals will be apprehended, that rioters will be shot, that insurrection and sedition will be dealt with harshly, that order will be maintained and liberty restored to America.

Such stands will not be easy to take and maintain. "Liberalism" dominates the major media of communication. Anyone who insists upon the principles of freedom can expect a full measure of villification and denunciation. He will find himself and his ideas held up to the most searching scrutiny by newspaper reporters and commentators. As a reward for all this, he may very well be rejected by the American people and never again appointed or elected to office. Yet, if "liberalism" is to be thrown into the bankruptcy upon which it totters today, such stands must be made. Credit must be cut off from the "liberals," lest the American people be pulled downward into ruin as well.

### ***A Time of Testing for Politicians and Voters***

The test of the politician comes when he confronts the issue of taking a stand on principle or continuing to drift with the tide.

The test of voters comes when they are confronted with a choice of politicians, some of whom take their stand on principle, while others continue promising the marvels that will be accomplished by following the "liberal" prescriptions yet another mile. The acid test for bankruptcy occurs when the creditors decide whether to extend credit one more time or to demand payment. The American people have been the long suffering creditors of "liberalism." For four decades they have extended credit time after time, for one un-

balanced budget after another, for ever higher taxes (local, state, and national), with accelerations in the depreciation of the currency. For their efforts, they have unfulfilled promises, depleted purses, and spreading disorder, national and international. Their choice is either to proclaim the bankruptcy of "liberalism" or to be dragged down with it. The evidence is in that "liberalism" is bankrupt in all but name. The way Americans choose, when and where they have the opportunity, will tell whether they, too, are bankrupt. ♦

**IDEAS ON LIBERTY***George Washington*

OF ALL the dispositions and habits which lead to political prosperity, religion and morality are indispensable supports. In vain would that man claim the tribute of patriotism who should labor to subvert these great pillars of human happiness — these firmest props of the duties of men and citizens. The mere politician, equally with the pious man, ought to respect and cherish them. A volume could not trace all their connections with private and public felicity. Let it simply be asked, Where is security for property, for reputation, for life, if the sense of religious obligation *desert* the oaths which are the instruments of investigation in courts of justice? And let us with caution indulge the supposition that morality can be maintained without religion. Whatever may be conceded to the influence of refined education on minds of peculiar structure, reason and experience both forbid us to expect that national morality can prevail in exclusion of religious principle.

# *the Curse and Cure of Covetousness*

LEONARD E. READ

WHILE MANY PEOPLE deplore covetousness, few will compare it to murder, theft, adultery as an evil. Nor will they think of it as having any bearing on our current politico-economic problems. This wrong assessment may be due to the fact that "Thou shalt not covet" brings up the rear of the Mosaic thou-shalt-nots.

I suspect that the ordering of the Commandments had nothing to do with a sin-grading scheme. Only one of the ten had obvious priority and it became the First Commandment. The other nine were listed, perhaps, as they came to mind. And covetousness, more subtle and an afterthought, concludes the list. But on reflection, covetousness is as deadly as any of the other sins — indeed, it tends to induce the others.

Covetousness or envy generates a destructive radiation with ill effect on all it touches.

Psychosomatic illnesses can be traced as much to envy as to hate, anger, worry, despondency.

But consider the social implications, the effects of envy on others. At first blush, the rich man appears not to be harmed because another covets his wealth. Envy, however, is not a benign, dormant element of the psyche; it has the same intensive force as rage, and a great deal of wisdom is required to put it down. Where understanding and self-control are wholly lacking, the weakling will resort to thievery, embezzlement, piracy, even murder, to gratify his envy and "get his share."

Though weakness of character afflicts all of us to some extent, only a few are so lacking in restraining forces as to personally employ naked force, such as thievery, to realize the objects of envy. Fear of apprehension and reprisal tends to hold such open-faced evil in check.

However, if the evil act can be screened, if the sense of personal guilt and responsibility can be sufficiently submerged, that is, if self-delusion can be effected, grat-

ification of covetousness will be pursued by the "best people."

### **Hiding in Anonymity**

The way is an open secret: achieve anonymity in a mob, committee, organization, society, or hide behind legality or majority vote.

With the fear of exposure removed, millions of Americans feather their own nests at the expense of others, and on a scale never imagined by thieves, pirates, or embezzlers. Our "best people," including the highly "educated," gratify their envy with no qualms whatsoever. But their salved conscience in no way lessens the evil of covetousness; quite the contrary, it emphasizes to us how powerfully this evil operates at the politico-economic level. This subtle evil is indeed the genesis of more obvious sins.

We should also note the extent to which this "guiltless" taking of property by coercion is rationalized. Accomplices, bearing such titles as philosophers and economists, rise to the occasion; they explain how the popular depredations are good for everyone, even for those looted. Thus, we find that covetousness, unchecked in the individual, lies at the root of the decline and fall of nations and civilizations.

In considering the effect on the

one who covets, we must be careful not to confuse the taking of another's property with the taking unto oneself of a higher level of intelligence and morality exemplified by another. The former is depredation, harmful to both self and the other; the latter is emulation, helpful to all concerned.

As contrasted with the emulation of virtues, which takes nothing from but adds to the welfare of others, envy is nothing more than an avaricious greed to possess what exclusively belongs to others. Envy is a lust of the flesh as opposed to an elevation of the spirit. The Hindus saw it clearly for what it really is: "Sin is not the violation of a law or a convention but . . . ignorance . . . which seeks its own private gain at the expense of others. . . ."<sup>1</sup> William Penn grasped the point: "Covetousness is the greatest of Monsters, as well as the root of all Evil."

### **Thwarting One's Purpose**

As a person cannot be in two places at the same time, so is it impossible for the eye to be cast covetously at the material possessions of others and cast aspiringly at one's own creativity. Thus, envy leaves unattended the human be-

<sup>1</sup> From *The Bhagavadgita* (Translation by S. Radhakrishnan, New York: Harper & Brothers, 1948), p. 224.

ing's upgrading; it is a positive distraction from the "hatching" process — Creation's Purpose. It's either hatch or rot, as with an egg; envy leaves the soul, the spirit, the intellect, the psyche to rot, and there can be no greater evil than this.

### **Count Your Blessings!**

When it is clear that covetousness thwarts Creation's Purpose and, thus, man's destiny — that among the cardinal sins none is greater — it surely behooves each of us to find a way to rid ourselves of this evil.

I believe the way is simple to proclaim: *Count your blessings!*

Any person who is not aware of countless blessings, regardless of how low or high his estate, will be no more aware of his blessings should his envy be gratified. Awareness of blessings is a state of consciousness and is not necessarily related to abundance and affluence. He who is rich in worldly goods but unaware of his blessings is poor, and probably covetous; he who is poor in worldly goods but aware of his blessings is rich, and assuredly without envy.

How easy the advice: Count your blessings! But what about the person unaware of his blessings? As well advise him to acquire wisdom, for wisdom is

awareness. Some individuals are aware of no blessings, others of a few, still others of numerous blessings. Yet, no one is more than slightly aware, just as no one is more than slightly wise.

Exactly how unaware we are of our blessings can be seen by committing them to paper — actually counting. While they are in infinite supply, observe how few are recognized. Now, throw the list away; for these must be alive each and every day in the consciousness, not stored on paper, not mechanically canned.

Try again, later: this is an exercise that one should never abandon. The list is longer? Note, also, how much greater the wisdom is. Conscious effort, really trying, constantly pressing against the unknown for more light is the nature of this discipline.

As progress is made in an awareness of our blessings, we are struck by how greatly they outnumber our woes and troubles. In a state of unawareness, the woes loom enormous, and we tend to covetousness; in awareness the woes are but trifles, and the covetousness fades away.

What a remarkable cure for covetousness! While the cure rids us of our woes, it also puts us on the road to social felicity; and a further dividend is wisdom. ♦



## Individual Liberty and "The Humanities"

GEORGE B. DE HUSZAR

THE LIBERTARIAN POSITION musters strong support in the disciplines of economics and political science, but libertarian scholarship has neglected the realms of art, literature, and philosophy. Further study of the humanities and their disciplines would round out the case for personal freedom. Eliseo Vivas was saying the same when he wrote in the *Chicago Tribune Magazine* of December 5, 1965: "We've had first-rate political and economic thinking from von Mises, Hayek, and Milton Friedman, but none in other fields. There has been no major philosophical mind to emerge—the same for theologians. . . . Two of the great values which we've lost sight of are the tragic and heroic dimensions of human existence.

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There is no more room for them in our society — yet they are essential components . . . the old sense of mystery and the sacred" have become secondary.

While on the one hand, philosophical and literary works would provide humane support for freedom and individuality, on the other, they would encourage teachers and students in the humanities to get interested in them.

An indirect, noneconomic and nonpolitical approach which makes little explicit reference to contemporary socio-economic-political arguments may be the best way to teach such basic values as dedication to freedom and individuality. The humanities are acceptable to many teachers and students otherwise reluctant to embrace the libertarian position. An approach through the humanities would make an impact in the realm of

ideas rather than explicitly arguing in favor of freedom and individualism and explicitly criticizing socialism and communism.

As F. A. Hayek pointed out in *The Road to Serfdom* (p. 13) basic individualism goes back further than the eighteenth and nineteenth centuries and has broad philosophical and literary foundations. Making the case for freedom and individuality in terms of the humane studies would show these broad philosophical and literary bases to teachers and students.

### **Surface Symptoms**

Politics forms the outside skin of the social organism; therefore, political manifestations are often but symptoms. To understand the disease, a deeper insight is required. To comprehend the fundamental problems of freedom and individuality, it is necessary to go beneath the surface and analyze philosophical and cultural issues. The unorthodox perceptions of philosophy, literature, and art should not be dismissed as flights of eccentric fancy. On the contrary, they make possible the explorations which provide deeper insights into the nature of freedom and individuality, such explorations as those by Cervantes, Kierkegaard, and Dostoevsky. Has anyone explored the fundamental psychological causes and implica-

tions of collectivism more effectively than Nietzsche, or more perceptively questioned the value and limitation of civilization and progress than Rimbaud and Gauguin, or seen more clearly into communism than Heine?

### **"The Coldest of All Monsters"**

Jakob Burckhardt stated that Nietzsche's books had increased "independence in the world." Stefan Zweig thought that "freedom is Nietzsche's ultimate significance" and entitled one of his chapters on Nietzsche as "The Teacher of Freedom." Nietzsche himself called the state the coldest of all monsters. He said that socialism is "the tyranny of the meanest and most brainless" and then made the following prophetic statement in the nineteenth century:

"... Socialism is on the whole a hopelessly bitter affair: and there is nothing more amusing than to observe the discord between the poisonous and desperate faces of present-day socialism — and what wretched and nonsensical feelings does not their style reveal to us! — and the childish lamblike happiness of their hopes and desires. Nevertheless, in many places in Europe, there may be violent hand-to-hand struggles and irruptions on their account: the coming century is likely to be convulsed in more than one spot, and the Paris Commune, which finds defenders and advocates

even in Germany, will seem to have been but a slight indigestion compared with what is to come."

Heine was similarly prophetic. In 1842 he wrote: "The future has an odour as of Russian leather, blood, blasphemy, and much beating with the knout. I advise our descendants to come into the world with thick skins." In his *Confessions* Heine said: "I was oppressed by a certain worldly apprehension which I could not overcome, for I saw that atheism had entered into a more or less secret compact with the most terribly naked, quite fig-leafless, communistic communism."

What is needed is the opening up of material which remains largely outside the interest of many social scientists, to raise new questions, and to suggest new methods. As matters stand today, many who are deeply committed to the analysis of freedom and individuality unfortunately find it difficult to recognize the relevance of the humanities to their concerns. They should be provided with new "weapons" and new "ammunition."

### **A Monopoly of Culture**

"Liberals" have appropriated not only concern for the people's welfare but also for culture. The Editor of the *University Observer* (Winter, 1947, p. 29) stated that

"liberals are always troubled when they find that a political reactionary is a man of vision whose intellectual or artistic work demands respect. . . . According to the liberal creed, those who are on the side of man's political progress should also be the most gifted, while the enemies of progress should turn out to have little to say; by rights, they should be uncreative." Thus "liberals" denigrate "reactionary" thinkers, or claim great figures of the humanities as being their own, or use them in an illegitimate manner. But many great figures in the humanities should be identified with the side where they properly belong — genuine concern with freedom and individuality. The fate of Kierkegaard is an example. Karl Löwith in *From Hegel to Nietzsche* falsely asserted that "Marx destroyed the bourgeois-capitalistic, and Kierkegaard the bourgeois-Christian world." What has become "existentialism" in recent German thought, as exemplified by Tillich, is mainly a form of socialism. What has become "existentialism" in recent French thought, as exemplified by Sartre, is to a large extent Marxism. Recently a course has been offered in New York City entitled "Marxist Existentialism."

It often occurs that everybody sits on each other's lap and no-

body sits on the chair. As has been said, man's mind is more gregarious than his body. The obsession with "dialogue" makes it difficult to develop private views. Yet, only persons with private views can be impervious to the deeper aspects of collectivism as well as to its most obvious and overt manifestations. Mass organizations bombard us from every angle with slogans and clichés to unite us for collective action. We succumb to habitual forms of thinking and the prevalence of fads and fashions in the intellectual world. All these discourage adherence to one's own view, critical mentality, individuality, and the inwardness of man. In contrast, all that is personal and private — literary insight, artistic taste, religious dedication — is to a large extent noncommunicable; they separate men and make each more aware of his uniqueness and what makes him different, and thus hinder the march of collectivism in the philosophic and social sense. Without such defenses, each person is vulnerable to collectivism.

### **Primacy of the Individual**

A fundamental thesis of the humanities approach is the primacy of the individual not only in the usual and obvious sense but also in the sense that the more unique

a person is the more valuable he is. This can be demonstrated most effectively by the humane studies, though it has not been done sufficiently. Richard M. Weaver has expressed pessimism about the fate of the humanities in view of the fact that the nonaverage, what is best in man, is suppressed by today's humanists. ("The Humanities in a Century of the Common Man," *New Individualist Review*, III, 1964).

The daemonic and evil forces in the nature of man, the recognition of which is essential to any serious discussion, can also be best shown through the humanities. Those who operate within the fashionable framework of Comte, St. Simon, Marx, Darwin, Freud, Dewey, the behavioral sciences, and so on, will be forever incapable of understanding the basic issues involved in the struggle between individualism and collectivism. They will not comprehend many things which are not in their philosophy but exist on earth. But, perhaps it is a mistake to spend too much time criticizing this fashionable framework. It is more urgent to rise above this embattled terrain and discuss matters on a higher plane, genuinely humane.

It is necessary to resist scientism which to a large extent is materialistic and to demonstrate that man is a "spiritual" being,

good or bad and capable of both, and that he does not exist in the world in the sense that rocks and other *things* do. Once more this can be most effectively done through the humanities which reveal the meaning of "philosophy."

The children of philosophy have grown up and have established homes of their own. Philosophy has become fragmentized; it has been divided into logic, which is often reduced to mathematics or the science of language; metaphysics which is often reduced to physics; ethics, which is often reduced to anthropology; aesthetics, which is often reduced to psychology. Much that was once considered philosophy is today part of the empire of science. The battle

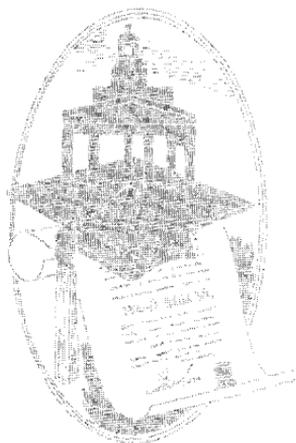
against materialism can be best undertaken by reaffirming whenever possible the value of "spiritual" *ends*; we need to recover the original meaning of "philosophy" now hidden behind the imperialism of science.

Thus, we may look to the humanities and their disciplines to accomplish the following: (1) promotion of the idea of freedom and individuality by using an indirect approach; (2) enhancement of the libertarian position by the prestige of philosophy, literature, and art; (3) reaching individuals interested in such matters, many of whom would not otherwise be attracted to the libertarian viewpoint. ◆

#### IDEAS ON LIBERTY

### *Signs of Civilization*

THOUGH OUR CIVILIZATION is the result of a cumulation of individual knowledge, it is not by the explicit or conscious combination of all this knowledge in any individual brain, but by its embodiment in symbols which we use without understanding them, in habits and institutions, tools, and concepts, that man in society is constantly able to profit from a body of knowledge neither he nor any other man completely possesses. Many of the greatest things man has achieved are not the result of consciously directed thought, and still less the product of a deliberately co-ordinated effort of many individuals, but of a process in which the individual plays a part which he can never fully understand. They are greater than any individual precisely because they result from the combination of knowledge more extensive than a single mind can master.



THE *University*  
AND *Secondary*  
*Education*

JOHN O. NELSON

IN DISCUSSING university and secondary education we are treading upon holy ground. We are expected to tread with prayerful reverence. To be sure, we may condemn what universities and secondary education in fact are, but only in order to promote a more sublime (or expensive) picture of what they should be. The university and the secondary school have become objects of testy veneration and stern worship. An intellectual, political, and moral execution greets, with an almost sure predictability, the heretic who refuses to genuflect before them. Even those who, like Russell Kirk and the editorial writer of *Barron's*, argue merely for the superiority of private over public education are likely to receive a few admonishing strokes

on their back.<sup>1</sup> Small heresies, after all, can lead to large ones, and large ones to the largest — the very rejection of formal education itself, private or public.

I suppose that, like a temple priest, I have been an “insider” too long to be awed either by the idols within the shrine or my fellow priests. In any case, I mean here to part company with the universal worship of formal education.<sup>2</sup> Thus, I shall not ask,

<sup>1</sup> See, Russell Kirk, “From the Academy,” *The National Review*, Sept. 19, 1967, p. 1021; “Harmful Monopoly,” *Barron's*, Sept. 11, 1967, p. 1.

<sup>2</sup> I shall not include in the present reference primary education, or education in the mere acquisition of the skills of “reading, writing, and arithmetic.” Primary education — and particularly, universal, compulsory primary education — merits a separate study. It will be seen, for example, that the objections we advance against university and secondary schooling do not apply to primary education, not even universal, compulsory primary education (although other objections do).

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“How can secondary education better serve the university?” or “How can universities and secondary schools be improved to better fit the young for life?” I shall, instead, attack the common presupposition of these questions and others like them. It will suffice for this purpose to examine the last of the two questions I have hypothetically posed.

The question, “How can universities and secondary schools be improved to better fit the young for life?” presupposes that universities and secondary schools fit young persons for life. Now I do not wish to claim that university and secondary schooling unfit all persons for life. I am ready to agree that they do not unfit, for instance, the theoretical physicist for his life; or the savant in ancient languages for his; or the young aristocrat for his; or the priest for his. I do, however, want to claim that they unfit young persons for life *by and large*.

### ***Different Ways of Life***

What criteria can we employ for deciding whether university and secondary schooling fit or unfit a person for life? For one thing we can ask whether the person himself fits a university and secondary education and vice versa. We might plausibly argue here: by its very nature, a university or

secondary education molds a person in such-and-such patterns; a person has or has not the potential to be molded in certain patterns. Returning to a previous analogy, we might compare a university or high school to a seminary for the priesthood. In the seminary a mental, spiritual, and physical indoctrination is imposed whose emphasis is on abstract studies and speculations, asceticism, and meditation. The student who devotes six or seven years to this discipline and does so successfully emerges in the priestly mold: devoted now by habit to abstract studies and speculations, asceticism, and meditation. It is a well-known fact that most persons are not fit for the priesthood. They lack the physical, mental, and spiritual attributes that are required. Thus, were large numbers of our young population compelled to enter the priesthood and to pass through seminaries, we could expect to find a large portion of the population composed of individuals who were not doing and being what they were suited to be and do.

Now the university by its very nature — and formal education in general — imposes a mold that, though not so narrow in its definition as the mold imposed by a religious seminary, is still fairly narrow. Emphasis is placed upon

abstract studies of one kind or another; on verbal acquisitions of one kind or another; in short, on the more purely symbolic activities and enterprises of men. Eyes, minds, hands, and hearts are correspondingly turned toward the symbolic sphere; i.e., paper work of one sort or another, abstract objects, abstract controversy, theorizing, and the like, and away from the practical sphere; i.e., physical labor, crafts, domestic work, and the concrete activities of business, such as making a profit, sales-clerking, stevedoring, bargaining, and so on. They are turned toward the one sphere and away from the other in two important ways. One is perfectly obvious. When young persons undergo training in the disciplines of Academe for from twelve to sixteen years, day after day, ten months a year, what abilities they may have in the symbolic sphere are sharpened and strengthened, but what abilities they may have in the practical sphere are dulled and atrophied by disuse.

#### ***Unfit for Production***

The other is not so obvious but is, perhaps, even more consequential. The very insistence of parents, elders, and communities that young persons devote their energies and minds twelve to sixteen years, nine to ten months of

the year, eight hours a day, to the disciplines and objects of formal schooling carries with it an implicit evaluation. It carries with it the implicit idea that one's interests and efforts should be devoted to the disciplines and objects of Academe rather than the disciplines and objects of business, farming, physical labor, and the like. For, why else would so much of one's life and efforts be required to be spent in the fields of academic labor as compared to the time and effort spent in the practical sphere? But this "should" implies, further, that academic labor is somehow more worthy than business and other practical labor; indeed, even that the latter is somehow unworthy or even contemptible. Thus, the person who emerges from a university or high school, culminating from twelve to sixteen years of academic training, will naturally entertain the prejudice that he ought to value (whether he in fact does or not) the disciplines and objects of Academe and that he ought to disvalue (whether he in fact does or not) the disciplines and objects of the practical sphere.

The natures of most persons, however, are not cut of abstract, scholarly cloth. What, then, is the outcome if vast numbers of the young are adjured and indirectly forced to attend universities, and

almost the entire population of the young is directly forced to attend schools devoted to the preliminaries of university education? We can expect to find, and we do find, a large percentage of young persons who have been trained mentally, physically, and emotionally to do and be what they are not suited to do or be. More tragic, though, these young persons have learned in the process, or will have learned, to consider as alien or even contemptible those very things that most of them were naturally suited to be and do. We might expect such individuals typically to be resentful, frustrated, destructive — like Plato's stinged drones, a bane to both themselves and others. And typically they are.

### ***Serving One's Time in School***

Exactly what percentage or number of students suffers or has suffered in this way from the impositions of secondary and university education I do not know. I do not know whether, indeed, any reliable figures on their number exist. But as I have already indicated, the number is enormous. Unimpeachable doctrine would say, for example, that a person who is doing and being what he is fitted to do and be displays interest and excitement in what he is doing; the person who is doing and being

what he is not fitted to do or be displays and senses alienation. To put it bluntly: the usual student is alienated.

I am not, incidentally, referring here to what is currently called "student alienation" in the press and magazines. What the press and magazines call "student alienation" is nothing of the sort. It is, rather, the camouflaged thrust of a small student and faculty segment of Academe to win control of the educational system. Its true name is "student power," and "student power" can best be understood as simply another of the many pincer-movements presently being launched by predatory socialists ("civil-rights" would be another; Federal anti-riot legislation still another) to complete the communization of the United States.

The pretended "student alienation" of predatory socialism is characterized by the disproportionate amount of publicity and pretentious analysis it receives in the news media and the volume of self-righteous noise it generates. Genuine student alienation is seldom publicized, though frequently commented on by teachers. It is characterized, not by speechmaking, but apathy. The truly alienated student is the student who merely goes through the motions of attending class, taking tests, reading texts. He is like the army

draftee: a prisoner merely serving out his time. He has no real concern with the abstract objects of Academe. And *his* name is legion.

### **An Army of Bureaucrats**

I have described one respect in which the university and secondary school by and large unfit, instead of fit, young persons for life. This has had to do with the individual as such. There is still another, and no less consequential, respect in which formal education unfits, rather than fits, young persons for life. Ignoring the nature of this or that particular individual, we might consider the nature of any advanced economy. An advanced economy rests upon capitalization; capitalization rests upon a production of commodities that exceeds consumption; and such production finally rests upon a tradition and practice of intent physical labor, both skilled and unskilled, upon factory labor, farm labor, business labor and business enterprise, and upon the invention of goods and services. Lives must be devoted to these forms of labor and enterprise, the lives of intelligent and emotionally satisfied persons, or there must result economic breakdown and decline.

But as we have seen, the formal educational system by and large

unfits persons, mentally, physically, and emotionally, for these all-important forms of practical labor and enterprise. It prepares persons for lives devoted to paper work and theory. But even an advanced economy has only so much use for scribes and theoreticians. Where, then, can the paper-minded and theory-minded graduates of the high school and university find both useful and satisfying employment? In a word, the great majority cannot. At best, they can find simply what mimics such employment. That is, they can be employed in government bureaucracy (and very many are) or they can be plowed back into the educational system, in the manner of Ponzi's famous pyramidal fraud (and very many are).

Neither bureaucracies, however, nor bloated educational systems add a tittle of substance to an economy. They both drain away the fruits of productive labor and finally the laborers themselves. Thus the university — along with its handmaiden, secondary education — by and large unfits persons for life not only by molding them to ambitions and training that do not fit their real talents and capacities, but also by fitting them for occupations that have, on the whole, no justifiable role to play in the economy. The economy calls for business labor and enter-

prise, farm labor and enterprise, factory labor and enterprise; the high school and university consume hordes of potential businessmen, farmers, and workers, and spew out in return bureaucratic scribes and theoretical ne'er-dowells.

### **Prelude to Tyranny**

This conversion of potential entrepreneurs and entrepreneurial workers into termites (bureaucratic scribes) and stinged drones (theoretical ne'er-dowells) can terminate only in totalitarian tyranny. Consider, for instance, the following excerpt from an editorial in a recent issue of a farm journal: "We may have to draft farmers some day, if an attitude expressed in a recent University of Illinois survey becomes widespread. It showed that 95 per cent of nearly 3,000 rural high school juniors and seniors want no part of farming as their life's work."<sup>3</sup> It is hardly necessary to point out the connection between these empirical statistics and our theoretical projections. What theory tells us must occur is, in concrete fact, occurring. It might be added, moreover, that the attitude referred to in the editorial is making itself felt not only in farming but in business enterprise of all sorts,

<sup>3</sup> *The Kansas Farmer-Stockman*, August, 1967, p. 4.

in the region of domestic help, in every kind of work.

When the present explosion of secondary and university education has had its full impact, not only will a farm-draft be necessary to replenish the labor siphoned off from the vital areas of the economy by higher education and its psychological influences but a general work-draft. This "draft for a great society" (one can already foresee its name) will predictably fail in its economic objectives. The shadow of its failure has already been cast for some fifty years by the economic failures of state-slavery in Russia, or what is aptly called in the pages of Marxism "scientific socialism." Economic failure will predictably beget more government regulation and coercion; the latter, more failure; and so on. Thus, paradoxically, from those very institutions that prate most loudly of freedom — the university and the high school — will emerge, and is emerging, not freedom but total serfdom.

### **Central Planning No Solution**

I have so far painted a very dark and foreboding picture of the handiwork of the university and the secondary school in the United States. Now, let me present a possible exit from the grim conclusions I have been forced to

draw. This exit depends on the possibility of universities and secondary schools fitting, instead of unfitting, young persons for life in the two respects that I have been discussing — at least, by and large, and at least in the case of those matriculating in either. But how can this twofold end be achieved?

Certainly it cannot be achieved in the way that the socialist, either scientific or utopian, will suggest. If “scientific,” he will suggest that government planning and regulation determine in one way or another who is to be trained for factory work, who for farm work, and who for theoretical work. Entrance and residence in a university and high school will be subsumed under this coercive programming. Presumably, under its fine milling and grinding, those who are by nature farmers will be allotted to farming, those who are by nature theoretical physicists to theoretical physics, and the right numbers of each to maximally satisfy the needs of the economy.

### **Remove the Coercion and Trust Competitive Schooling**

But state planning and coercion have proved to be an economic failure wherever tried, and theoretic consideration shows they must. I shall not repeat on the last score the findings of Mises, Rothbard, and others. They are easily

accessible. And they are conclusive.<sup>4</sup> It suffices to point out that, this being so, state regulation of admission to universities and high schools and state planning of curricula cannot solve the problems we have been discussing, since these problems are basically economic in character. And for the same reason, the utopian socialist can offer no solution. He may suggest, for example, free and unlimited entrance and residence in universities and high schools. But who is to supply the housing, classrooms, bread, wine, and teachers for these high-living inhabitants of Academe? The utopian socialist invariably fails to tell us. He waves the wand of his feverish imagination and like a madman thinks the imaginary banquets and ivory towers that then spring into being have real substance.

The vexing human and economic problems that university and secondary education present can be resolved, however, in the following very simple and noncoercive way. We need merely require that all tax-support be withdrawn from both; that compulsory school attendance, child labor laws, minimum-wage laws, coercive unionism, the military draft, and the other artificial instruments, de-

<sup>4</sup> See for example, Murray N. Rothbard, *Man, Economy, and State* (New York: D. Van Nostrand, 1962), Vol. 1 & 2, pp. 765 ff.

veloped and sustained through government, which isolate education from the competition of an open market, be abolished or repealed. This being done, all secondary and university education would be placed upon an equal footing of trade with the other products and services of men, to compete with them according to supply and demand and the free wills of men. Universities and secondary schools would then take on

all the various shapes and purposes that the market would call for and sustain; they would be attended by and large only by those fitted for the schooling provided; and they would by and large fit those who matriculated for the lives they were best fitted to live. Competition on the open market and economic supply and demand would see to this, and would see to it with incorruptible honesty. ♦

**IDEAS ON LIBERTY***The Case for the Private School*

MANY AMERICAN PARENTS feel rightly that they, and not the state, should be responsible for what their children become; that education should be divorced from political control; and that those who prefer private instruction for their children should not be taxed for the upkeep of facilities which they did not choose nor curricula to which they do not want them exposed. There is a growing feeling that top administration and control of government school systems are too remote and too difficult to influence, that parents are mere robots in a machine that leaves little individual choice. There is some resentment that families should be taxed to "educate" the ineducable until adulthood when there is neither the capacity nor desire among these "children" nor their parents for further instruction.

GEORGE S. SCHUYLER



# Some Reflections ON Education

W. A. PATON

THE EDUCATION of the individual, in a broad sense, consists of the impact on his mind of the entire stream of phenomena encountered during his lifetime, including the *resulting reflection and pondering*. Formal education — training in schools and other institutions devoted in some degree to teaching and learning — is only one sector of the whole process, and presumably not the most important element in many cases. Nowadays almost everybody goes to school until the age of fifteen or sixteen, at least, and college training, including a substantial amount of graduate work, has become the regular route to entry into the major professional fields and the executive levels in business.

To note that education can be —

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and has often been — acquired without schooling is not equivalent to suggesting that people should stay clear of schools. Having been connected with formal education for more than a half century, I am unwilling to go that far. But I feel that we should avoid the conclusion that going to college assures intellectual growth and a successful life. The college degree may help to open the door to a job upon graduation, but it doesn't guarantee that the graduate has the stuff essential to good performance.

It follows that a school should be regarded as a specialized undertaking, not as the embodiment of all human experience and activity in miniature. In other words, a school should concentrate on the training and learning that can be accomplished more speedily and effectively in an institutional setting than through general day-by-

day experience, at home or on the job or while spending time otherwise. Moreover, the school should not only restrict its efforts to fields which lend themselves to attack in classroom and laboratory but should give primary attention to subjects that are acknowledged to be especially significant and worthwhile. Even in these high-spending days no school has unlimited resources, and hence there is need for care and good judgment in determining the nature and scope of an institution's activities.

The tendency to try to cover the whole waterfront, to include in the curriculum all sorts of courses for which no solid justification can be found, is one of the explanations of the sorry showing made by many present-day schools at both college and precollege levels. Somewhat related is the disposition to expand, proliferate, splinter the offerings in areas both worthwhile and questionable.

### ***Curricula Criteria***

Even if the generalization be accepted that the role of the school is limited, there remains ample room for debate as to the subjects to be included in a school program and the time and effort to be devoted to each. In making a start on the task of setting standards for selecting subjects to be taught,

it may be helpful to take note of some broad principles. A review of the mental activities of the human animal suggests a possible grouping under two main heads.

In the first place there is the process of observing and sizing up the phenomena encountered. Watch a small youngster and you'll note that he is busy looking the scene over and doing some appraising of what he observes (including, of course, hearing and feeling as well as seeing under the term observation). In the second place there is the process of transmitting or communicating impressions, views, and desires to others, beginning with parents and other members of the family.

In other words, the individual's mental activity boils down to: (1) absorbing, appraising, pondering, pigeonholing; (2) purposeful arraying and communicating. Or to put the point very tersely: brainwork consists at bottom of (1) measuring and (2) reporting. Needless to say, this stab at underlying classification is subject to plenty of objections, but this is true of all taxonomic efforts, in all fields, even at the dichotomy level. (This comment, incidentally, brings to mind another twofold division of the thinking process: (1) breakdown or analysis and (2) synthesis.)

Applying the basic criteria in-

icated, it is evident that the traditional three R's come out well. Reading and 'riting are major means of absorbing and transmitting, and 'rithmetic is indispensable to measurement. Writing in the calligraphic sense is not to be disdained; achieving a good hand is worthwhile, like learning to spell accurately, and a host of other accomplishments. But writing ability in the sense of first-class composition is a more rare and much more significant attainment. If I were faced with the problem of selecting the outstanding subject deserving rigorous and continuing attention in the school system, in preparation for a useful career, I would not pick physics or accounting but would give the edge to English composition. In professional work of all kinds the ability to write well (reflecting the ability to think well) is of paramount importance.

In stressing writing I am not forgetting the great importance of being able to speak well, and I believe that a college or university curriculum may properly include some courses in this field. I am also not forgetting that reading ability is the underlying talent, and that without at least fair reading skill it is difficult to make real headway in any direction in the formal educational system. Extensive reading of good writing, of

course, is a great aid in building a vocabulary and developing the ability to write.

#### **Vocational vs. Cultural**

An example of the human habit of setting up contrasts and controversies where there is no basic clash, plus the exaggeration of such differences as may be present, is the long-standing discussion of the relative merits of vocational and cultural studies and pursuits. Without fully understanding what they have been aiming at, many teachers and school administrators have been clamoring for more emphasis on the cultural as opposed to the vocational or career-building approach in setting up college programs. "Let's develop a social consciousness," "Let's learn to be good citizens," "Let's broaden our understanding" — such are the slogans of this group. Above all, so they say, "Let's avoid the mere bread-and-butter courses."

This kind of talk is pure tommyrot. When is a person going to get ready to be productive if not during his school days, now lengthened into a long stretch of years, a substantial slice of an entire life span? I would not advise any young man to go to college unless his primary objective is to prepare himself for some profession or field of endeavor, unless he hopes that the college training will help

him to get hold of a rung of a career ladder. (This doesn't necessarily mean that he need make a final choice of a vocation before entering college, or even that the matter has to be settled during the first year or two; there's something to be said for retaining flexibility, and having more than a single string to one's bow.)

### ***Learn the Native Language Before Dabbling in Others***

But there is more to the story. Upon analysis and appraisal of the so-called cultural courses one finds little support for their pretensions. Foreign language study is generally regarded as an outstanding part of the cultural curriculum, and some schools require all students to take one, two, or more years of work in this field. In some cases, indeed, this is the only universal subject requirement. What are the results for the mine-run student: a bare smattering of knowledge of a language in which he will never become proficient and which he will never use. In pattering, halfheartedly, through one or two years of classes in a foreign language, the time and effort of the student are largely wasted. The futility of such courses is especially clear in the case of students inadequately trained in English — who have trouble composing a postcard to

mother — and this means the great majority.

For heaven's sake, let's try to do something to equip students in their native language, and means of communication, instead of sidetracking them into a feeble introduction to another language. I am not objecting, of course, to serious, intensive study of a foreign language with the end in view of mastering the language and making use of this equipment in a career in foreign service or elsewhere.

This brings me to the main point. A thoroughgoing course in physics, chemistry, or accounting — to mention only a few possibilities — which opens doors to professional activity and a good living upon graduation, obviously has more genuine cultural value than a superficial attack on a foreign language that leads nowhere.

There is no good reason for labeling an interesting, vigorous, significant subject "noncultural" because it has a vocational aspect. It is not at all difficult to select a four-year program of college courses rich in Kultur, in the best sense, as well as valuable from a professional career standpoint. A course doesn't have to be impractical to be eminently worthwhile.

Breadth of training has some appeal and merit, but breadth that amounts to shallowness, with no

depth anywhere, is not a suitable goal of educational effort. Jack-of-all-trades but master of none remains a dubious calling.

### **Student Aptitudes and Attitudes**

Today's college students in the mass are less able and less studious than those of fifty years ago. Growth of the view that everybody should go to college, fortified by the widespread and very silly notion that all of us have the same package of native abilities and that all our limitations are of environmental origin, is partly responsible for this condition. Another factor is the softening of precollege training to the point where even the most backward students are pushed along grade by grade at the elementary level and generally don't find it very difficult to obtain a high-school diploma. The result is the flooding of colleges with students lacking the inherent mental equipment to handle staple college subjects effectively, as well as students of ability who have never been called upon to exert themselves scholastically and hence find it difficult to make a decent showing in college. In this situation it becomes increasingly hard to maintain traditional standards, to say nothing of strengthening such standards.

Affected by the watered-down

training experienced in precollege school days, and infected more or less with the spreading sentiment to the effect that everyone has a right to share in the pie regardless of contribution or effort, the attitudes of many college students have become very trying to the serious teacher. Indifference to the point of impudence seems to be on the increase in college classrooms. "Here I am, and what are you going to do about it" seems to be implied by the slouchy postures and yawning unshaven faces now confronting instructors in increasing numbers. (The tendency toward indifference, it must be admitted, is often aggravated by a boring, ineffective performance on the part of the instructor.)

A student's attitude, beyond doubt, has an important bearing on his performance and success throughout his school experience. Ability is important, but ability not accompanied by gumption and drive is likely to go to waste. The chap with fair ability who stays in there pitching may do better in the long run than the person with superior talent but lacking in determination and staying power. The teacher may have little spark, and the subject may not be exciting, but usually a bit of juice can be squeezed out of the orange by the reasonably capable student if he really tries.

The squandering of several years in college by persons who will not profit from the experience because of lack of ability or other deficiencies should not be encouraged. Aside from the funds wasted is the resulting serious loss of manpower. There is also the fact that the squandered years may well crystallize the personal deficiencies and decrease the potential of the student when he finally does try to go to work.

Perhaps mention should be made

here of the beatniks and trouble-makers who are infesting college campuses in increasing numbers these days. On this subject it is my feeling that although cleanliness may not be next to godliness, there is still something to be said for good appearance and deportment. I see no reason for spending a lot of money, furnished by taxpayers or otherwise, to provide facilities for the bums — real or imitation — to strut their stuff. ◆

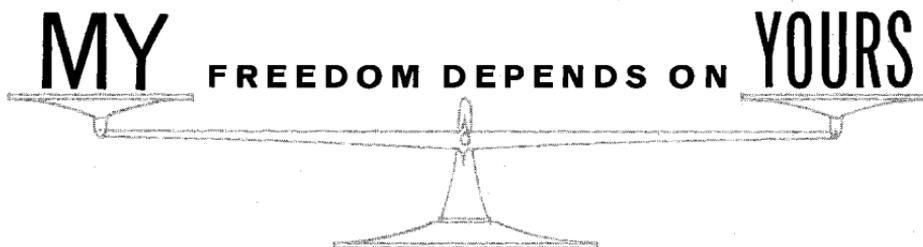
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### *Values in the Classroom*

IF A LIST of the most inspiring and influential teachers of the past could be drawn up, it might well show the majority were men who were strongly and even passionately committed to certain values and who communicated these values both in the classroom and outside it. Education is, after all, not a one-sided process aimed exclusively at the communication of facts and the development of skill in correct reasoning. Education of the whole man is also moral, that is, it involves the inculcation of values. To abdicate this responsibility in the name of a spurious scientific objectivity is to create a moral vacuum in the minds and hearts of our youth.

PATRICK M. BOARMAN

# MY FREEDOM DEPENDS ON YOURS



DEAN RUSSELL

MY GRANDFATHER fought for freedom while he continued to own slaves. His concept of freedom permitted him to direct and control the activities of other men. And when he was denied the legal right to take for his own use the fruits of other people's labor, he was honestly convinced that his freedom had been curtailed to some extent.

An absurd concept of freedom? Well, he was no different in this respect from Jefferson, Washington, Patrick Henry, and others of our Founding Fathers. It is

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This article was previously published as a pamphlet by the Foundation in 1953, but recent manifestations of violence throughout the nation and the world — even by teachers — suggest the need to refer again to the fundamentals of freedom Dr. Russell espouses.

true that they had developed a better understanding of freedom than had any political group before them, and I respect them highly for their revolutionary and magnificent concepts of inalienable rights which come from God instead of government. But even so, they still believed that liberty permits some men to use violence to control the actions and to own the production of other men. Our Forefathers believed, of course, that these controls over other men should be permitted only if they were sanctioned by a government based on the democratic or republican processes. But while rejecting the concept of hereditary rulers, they did not entirely reject the "Old World" idea that it is permissible for some persons to use the powers of government to

aid them in controlling the actions and disposing of the production of other persons.

A discredited idea of freedom? Well, that same concept of freedom is still widely held throughout the United States today. The reasons advanced to defend the fact that some men have the authority to control the productive actions of other men have changed. And the modern way of taking and distributing the fruits of other people's labor is seldom called slavery. But the legal right of some men to control the productive activities of other men continues to exist as before. And the present-day tax of more than 80 per cent of some persons' incomes is probably a far greater percentage of their production than was ever withheld from any slave.

### ***Might or Right***

Is this present-day taking of other people's production legal? It is. But so was outright slavery once legal! Did that make it right? Let us hope that we Americans never delude ourselves into the belief that *right* is properly determined by a show of hands. For if we do, we are lost.

The extent and type of the legal controls over persons, and the degree of the taking of other people's production, have varied

greatly throughout the history of the United States. But the overwhelming majority of the American people have always believed that freedom includes the right of some persons to use the legal authority of government to control the productive efforts and incomes of other persons.

Abraham Lincoln recognized this dilemma in 1864 when he stated: "The world has never had a good definition of the word liberty, and the American people, just now, are much in want of one. We all declare for liberty, but in using the same *word* we do not all mean the same *thing*. With some the word liberty may mean for each man to do as he pleases with himself, and the product of his labor; while with others the same word may mean for some men to do as they please with other men, and the product of other men's labor. Here are two, not only different, but incompatible things, called by the same name—liberty."

Both Lincoln and Jefferson Davis announced themselves for freedom. So did Stalin and Hitler. So do you and I and almost everyone else. And I have no reason to doubt that each is sincerely in favor of freedom—*his concept of freedom*.

Just as I hope you will give careful consideration to my ideas on freedom, just so will I be most

pleased to give careful consideration to yours. For unless there is a common understanding of the meaning of freedom, we will continue to fight each other in its name.

### **Individual Freedom**

It seems to me that much of the confusion over the meaning of liberty and freedom begins with an incomplete or inadequate explanation of what the phrase "individual freedom" really refers to.

While human freedom necessarily concerns the individual, it does so only in the sense that *freedom always refers to a relationship or condition between two or more persons*. While it is necessarily always individuals who understand, practice, and advance freedom, the concept applies only when there is some sort of contact between two or more of them. The *idea* of freedom would be useless to a person isolated forever from any contact with any other person. Contrasted with the ideas of food and shelter—which can be applied to one person alone—the idea of human freedom has no meaning except in society.

Reference to the concept of freedom, then, always applies to a condition or relationship between two or more persons. Just what is that relationship? Certainly it would be nonsensical to describe

freedom as a relationship of violence, where some persons are trying to impose their wills upon other persons. Probably the best word to describe that condition is tyranny.

### **Freedom Defined**

*Freedom is a relationship or condition of nonmolestation*. The word "molestation" is here used to include murder, defamation of character, theft, libel, fraud, violence or the threat of violence, or any other act of aggression by one person against another person's life, liberty, good name, or property. And the fact that the molestation may be legal—slavery, restrictions against trade, compulsory unionism, and so on—does not deny that freedom is infringed.

Since freedom describes a relationship of nonmolestation *between persons*, it is misleading to speak of freedom as though it applies to one person alone. This is misleading because it is incomplete; because it refers to only part of a necessary relationship; because it tends to obscure the fact that one or more other persons are necessarily involved.

Yet, the idea of freedom is almost always used in the sense that *one individual* can be free and have his freedom, even though he may be exercising legal authority

over the productive activities and incomes of others — up to and including complete slavery. That seems to me an unfortunate concept of freedom. But such has always been the popular concept and still is.

### **Unrestrained Freedom**

When I speak of freedom, I mean a condition of *mutual* non-molestation, with no person molesting any other person. Under that concept, I fully endorse “unrestrained freedom” — a society based on the idea that no one has the right to molest anyone else; a society wherein everyone is legally forbidden to molest anyone else.

Now, I am aware that many millions of persons within our society do not share my faith in the principle of mutual nonmolestation. And there seems little likelihood that the various types and degrees of molestation which now exist will disappear over night. But regardless of what others say or do, it is obvious that those of us who believe in *mutual* non-molestation must take the first and necessary step toward it by personally following the idea of no molestation against others. There is no other way for freedom to begin except through its practice by individuals who understand what it is.

When Hitler spoke of freedom,

he merely meant a condition in which no one molested him. His concept actually *required* that some of the German people molest others of the German people. The only condition that freedom described to Hitler was one wherein he could do as he pleased. To him, freedom was strictly a one-way street.

You shouldn't be surprised at Hitler's concept of freedom. He didn't invent it and he had no monopoly upon it. It was, and is, held almost universally. As stated above, our Forefathers fought and died for freedom. And they were sincere about it. Yet, they did this while they themselves continued to violate freedom by controlling the productive activities and incomes of other persons.

The vast majority of our current state and Federal officials believe sincerely in what they understand as freedom. Yet, so far as I know, few if any of them fully accept the idea of freedom as a reciprocal relationship of nonmolestation among persons. On the contrary, most of them look upon freedom as a condition wherein some persons are *obligated* to molest other persons. The candidates of all political parties in our last elections said they believed sincerely in freedom. Yet almost all of them endorsed specific issues that undeniably molest persons by

forcing some to conform to the viewpoints and ideas of others.

### **Liberty and License**

Our legislators are honorable men. They are sincerely trying to do what they consider to be a necessary and not-always-pleasant job. But I wonder if many of them are not confusing liberty and license.

In order better to understand the reason for this possible confusion, let us consider the following example: A person uses his own honestly acquired money to build a house for \$10,000. In the process, he molests no person or group of persons — neither defames them, defrauds them, breaks his voluntary contracts with them, nor uses violence or the threat of violence against them.

Upon completion of the house, the owner decides to offer it for rent. For a reason known only to himself, he sets a rental price of \$500 a month. At that price, the house stays vacant — even though there may be many persons who would like to live in the house at a rental price which would pay the owner a four or six or eight per cent return on his investment.

Would not the word “freedom” be the proper term to describe such a condition of nonmolestation wherein no person would be using

violence or the threat of violence to impose his will or viewpoint upon any other person? Since no one would be forced to buy and no one would be forced to sell, would that not be freedom?

Most of our governmental officials, backed by the vast majority of the American people, would surely reply to that question somewhat as follows: “No! You have described a condition of license wherein the people would be robbed and exploited or forced to remain in substandard housing, wherein freedom would be destroyed. In order to restore freedom, we would have to molest such unreasonable property owners to make sure they conform to our idea of a proper price.”

And so it would go as it almost always has. During the days of NRA, a merchant was accused of license if he sold *below* the government-set price. During the days of OPS, he was accused of license if he sold *above* the government-set price. Under “Fair Trade” laws, he is accused of license if he sells either above or below a price which is approved and enforced by government.

Freedom — a condition of nonmolestation in the market place and everywhere else — is often called license! While license — a condition wherein some persons molest other persons — is all too

frequently called freedom! The popular concept of freedom has always described a condition in society wherein some persons use legal violence or the threat of legal violence to compel other persons to conform to their wishes. The degree of molestation has varied from time to time and from government to government. But at no time under any government has the popular concept of freedom ever been used to describe either an actual or potential condition of nonmolestation among persons.

#### **A Mutual Concept**

Freedom is destroyed between two persons to whatever extent either one uses violence or the threat of violence to impose his will or viewpoint upon the other. Regardless of who is the aggressor and who is the victim — or whether the violence is legal or illegal — freedom is still infringed.

If you have rendered me helpless by throwing me to the ground and sitting on top of me, everyone understands clearly that my freedom has been severely curtailed. But what is not generally understood is that your freedom is also curtailed as long as you must spend your time and effort to hold me down. You thereby restrict your own progress and improvement just as you do mine.

Freedom is a *reciprocal* rela-

tionship based on *voluntary* agreements and actions. This applies in all human relationships, even though they are seldom as clear and dramatic as person-to-person violence. The only real possibility for complete freedom for yourself as an individual is for you to refrain from initiating violence or the threat of violence against anyone else. This is the vital first step toward a condition of mutual nonmolestation — a step that any one of us can take as soon as he is ready.

“But,” someone may ask, “since I am holding you down by my own free will, how can it possibly be said that I am thereby interfering with my own freedom? I am doing exactly what I want to do!”

Maybe so. But if the man on top understood the full significance of such a course of action, he would not deliberately follow it or use the word freedom to describe it.

The reality of this thesis that no person can really have complete freedom for himself while he is imposing his will — legally or illegally — upon the creative activities or incomes of others may possibly be more easily understood if approached from another angle.<sup>1</sup>

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<sup>1</sup> While examples given herein deal primarily with material prosperity, this is not to say that economic well-being is the most important aspect of freedom. Actually, it is a by-product of something

If all persons in the world except you were suddenly to die, it is most unlikely that you would live out your normal span of life as you would want to do. That is true because the increased material prosperity resulting from specialization and division of labor has encouraged you to depend upon other persons for the things you want and need—the things you *want* to do. Imagine what would happen to you if you had to build your own house from virgin timber with no axe or saw or nails, raise your own food without hoe or plow or seeds, be your own surgeon without instruments or medicines, construct every item of your own electric system without tools of any kind, and so on and so on. You would soon perish.

If half the people in the United States were suddenly to die, you would, for the same reason, no longer be able to do many of the things you have been doing and wish to continue to do. And although it is difficult to trace directly, the same sort of thing happens when even one productive person dies. This fact is easier to visualize if you think in terms of the “key man” of whatever business you are most interested in.

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more important. The examples deal mostly with production because it is generally familiar and appears to be the most restricted freedom of all.

### **The Result of Controls**

Now let us transfer this same idea over to the concepts of controls and slavery instead of death. If the records of history are to be given any value at all, they offer conclusive proof that the slave doesn't produce as much as the person who is working of his own free will. Nor can the slave contribute as much to one's spiritual and mental development as he could if he were released from the physical controls over him.

If all mankind were enslaved or controlled by one person or a small group of persons, literally millions of people would starve to death as a result of the tremendous decrease in production that would automatically follow.<sup>2</sup> The rest would sink slowly back into darkness and savagery. Yet, the people who hold the popular, one-sided concept of freedom will still say that the slave master at least would have his “individual” freedom under those circumstances because no one would be controlling *him!*

It is true that the slave master might be able to confiscate a large share of the available production for himself at the expense of others. But, with the exception of a few brilliant fanatics who honestly believe that slavery is the best pos-

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<sup>2</sup> The truth of this fact is proved by both the ancient and modern histories of various European and Asiatic nations.

sible form of society, slaves seldom produce literature or printing presses or new methods for increasing production and distributing it more widely. The man whose activities are directed by violence or the threat of violence doesn't ordinarily invent and increase the production of television sets, better surgical instruments and medicines, great sermons and studies in philosophy, and such. The slave master cannot take for his own use and advancement that which has not been invented or produced! He might honestly believe that he himself has complete freedom, but the decreased rate of development—or even the degeneracy—of his moral, mental, social, and physical well-being would offer conclusive proof of the shortcomings of such a concept of freedom.

If only half of all mankind were enslaved, this same thing would happen to the slave master in some proportion. If a person uses violence or the threat of violence—legal or illegal—to control the productive activities or income of even *one person*, he himself will thereby suffer diminishing opportunities for the development of his own potentialities. And most unfortunate of all, his action against freedom also does great harm to many innocent bystanders who desire to live in peace with their fellow men.

Suppose that someone had tried

to control the creative activities of an individual like Edison, or Aquinas, or Beethoven, or Shakespeare, or a hundred other producers in various fields that come readily to mind. The opportunities for peaceful pursuit of the things you now do and wish to continue to do—the real meaning of freedom—would have been decreased immeasurably if the activities and incomes of those individuals had been controlled by some outside authority with the power to direct and restrain them completely. Unfortunately, there *were* some controls upon the creative activities and incomes of those persons. Thus it seems reasonably certain that you and I today are missing many opportunities which would have been available to us if those men had enjoyed complete freedom—if they had lived in a society organized according to the idea of mutual non-molestation.

#### **Future Leaders**

The present and future productive leaders of mankind are now being severely controlled, directed, and restricted by governmental authority. And it is being done because most of us honestly but mistakenly believe that freedom *demands* that some men control the creative activities and incomes of other men! The vast majority of the world's people still sincerely be-

lieve that they themselves can have complete freedom even though they use violence or the threat of violence to direct the activities and control the incomes of others! They do not accept the idea that freedom is a mutual relationship of non-molestation among persons.

Now someone may say: "This is all very well in theory, but there is no possible way of measuring what might have been or, in this case, even what might be. I still can't see specifically how I lose any of my freedom merely because some person in this or some other country might be controlled by his own government."

### **Communist Freedom**

Well, let's apply the test to the communist nations of today. Several hundred millions of individual Russians, Chinese, and others are forbidden to trade with you or to visit you or to exchange ideas with you or to worship with you. Our periodicals and newspapers devote much space to the telling of how those persons have lost most of their freedom.

But what has this to do with your freedom? Well, can you visit with those individual Russians and trade with them or exchange ideas with them or worship with them? No, you have lost a great deal of your own freedom even though you may not be aware of it. If any person

anywhere in the world is deprived of his freedom to trade or to communicate with you, automatically you thereby lose your freedom of opportunity to trade or to communicate with him. That fact is as undeniable as two plus two equals four.

### **A Comparison**

Legalized violence is already being used to deprive almost half of the world's people of their freedom of opportunity to trade or to worship or to communicate or to visit or to exchange ideas with you. To visualize how this affects your own freedom, just imagine what would happen to you if the other half of the world's people were also deprived of their freedom to have any contact with you. Under those conditions, you would soon die from lack of food or shelter or clothing or medical attention, or from sheer boredom or frustration. Yet, the persons who hold the popular idea that freedom can be applied to one person alone would still say you would remain free because no one would be molesting you! Such a concept of freedom would appear to be the sheerest nonsense.

It is true that we Americans enjoy more freedom—less legal and illegal molestation—than the people of any other nation. But no person in America is completely free as long as violence—under the power

of government or otherwise—is used to restrict or to control or to direct the activities or income of even one peaceful person. To whatever extent any person is forbidden to trade or to exchange ideas with you, to the same extent you are thereby deprived of the opportunity to trade or to exchange ideas with him.

To repeat, freedom is a relationship of mutual nonmolestation among persons. Yet, the overwhelming majority of the world's people have always thought of freedom as being the legal right of some persons to impose their wills and viewpoints upon other persons. And they still do. Let us examine a few popular examples of this at home and abroad.

### ***Houses and Subsidies***

When the Russian government builds houses for some persons at the expense of other persons, it always does it in the good name of freedom. But it cannot logically be called freedom because the process of governmental housing describes a relationship among persons wherein some persons are undeniably molesting other persons against their wills at some point within the process.

When the English government grants subsidies to certain manufacturers or farmers or other favored groups, it claims to be ad-

vancing freedom for the English people. Actually, complete freedom ceases to exist among the persons involved when government rewards some persons at the expense of other persons.

It may be alleged that while a subsidy decreases the freedom of the persons from whom the money is taken, surely it doesn't decrease the freedom of the persons who get it. This is the ever-popular "Robin Hood" concept of freedom—a person can be "free" even though he exists by doing violence to others. The person who accepts that idea of freedom can sincerely advocate complete government ownership and control in the name of freedom. And it is worth noting that the advocate of government ownership—whatever the degree—is always happy to specify who shall do the taking, whom it shall be taken from, and who shall be rewarded with the confiscated production.

### ***Controls and Democracy***

When the government of Argentina initiates price controls, wage controls, rent controls, tariffs, government-owned hydroelectric projects, and other similar compulsive devices, it claims to be doing these things to preserve freedom. And apparently the vast majority of Argentineans believe it. Yet, in each instance, some persons obviously are using violence or the threat of

violence to impose their wills upon other persons who believe differently. That process should not be described as freedom. And the fact that the molestation is legal has no bearing upon the fact that freedom has thereby been decreased.

When our own government takes our money from us against our wills and gives it to Tito, Franco, Perón—Germany, Italy, Japan, and other nations—our officials sincerely believe that they are doing it to preserve peace and freedom. Yet, this entire process is based on violence or the threat of violence against our own citizens. In most instances, we are compelled to do what few of us would do with our own resources if we were free to decide for ourselves directly. This is the exact reverse of a condition of nonmolestation among persons. Such a transaction, founded upon violence, should never be called freedom.

It is true that our officials were duly elected by the people. But so were slaveholding officials! Did that fact change slavery into freedom? Directly or indirectly, the American people have the legal right to vote for either a policy of molestation or a policy of nonmolestation. An examination of the record shows quite clearly that the vote is almost always for a program of molestation. The various campaign platforms differ only in

the degree of molestation and which group is to be molested and which group is to be in charge of doing the molesting.

### **Self-Defense**

But what about self-defense? Admitting that freedom is decreased between them when one person molests another, what is the innocent victim of the lost freedom to do?

First, the person who fully understands freedom will never knowingly abolish or diminish it. That is, he will never knowingly initiate or advocate any action or law that imposes his ideas or viewpoints upon any other person against that person's will.

Any person who is aware that he is the victim of molestation will always use whatever measures he deems best and most suitable to gain freedom. This is an instinctive reaction; for, obviously, no person wishes to be molested against his will. If he understands freedom, he himself will never knowingly be the aggressor. But whether he understands it or not, he will at least strive for a condition of minimum molestation against himself.

The means he uses to gain this end may be persuasion, argument, prayer, nonresistance, noncooperation, guile, counterviolence, politics, or whatever. Most probably it

will be a combination of several of these and similar measures, depending on circumstances and his understanding of moral principles.

### **Means to an End**

My goal is freedom—a condition of nonmolestation among persons. To the best of my ability, I will strive toward that goal. I will use the means which seem to me to be both morally right and tactically effective.

For example, I would prefer to persuade the would-be murderer to let me live. But if that doesn't work, I believe that I am morally right and tactically correct in using counterviolence to defend myself against him. And that is probably what I will do if the occasion should ever arise.

I believe that I am morally right and tactically correct when I choose to join my fellow men of a like mind in resisting aggression from the gangster at home or the marauding army from abroad—so long as we ourselves don't deny our own principle by using violence or the threat of violence upon our peaceful neighbors who do not choose to join us; so long as we confine our actions to defense against a *direct and unquestionable* threat to our lives, liberty, or property. I believe that this can be accomplished more effectively by voluntary and coordinated group action than by in-

voluntary group action or isolated individual action. I believe that it is morally right and tactically correct to advocate and support a government dedicated to the proposition of preserving freedom—a society wherein no person is permitted to molest any other person; a society wherein every person is legally forbidden to molest any other person. And, of course, I believe it is morally right and tactically correct for society's political agent to use the necessary degree of legal counterviolence required to stop any person from molesting any other person. It seems to me that the sole purpose of government—the social agency of coercion—should be to defend equally all of its citizens against whoever molests them.

### **A Doubt**

Thus do I advocate and support the use of purely *defensive* violence as an integral and necessary means toward the preservation of maximum freedom in a world where many persons are not yet willing to live in peace with their fellow men. But it should be noted that I have no way of knowing with absolute certainty that my endorsement of even defensive violence is the best principle to follow. I now believe it is. But when I study the lives of Christ, Gandhi, and others who seemed to endorse a policy of

turning the other cheek and of not using violence even for defense, I prefer not to become too dogmatic on the subject. Their moral policies appear to have been quite effective.

Whether or not I am justified in my endorsement of defensive violence, this much is certain: I cannot logically claim to favor freedom when I am *initiating* violence or the threat of violence — legal or illegal—to force any person to conform to my ideas, beliefs, or viewpoints. Thus, come what may, I will never knowingly and deliberately initiate violence against my fellow man. I have too much respect for him (and for myself) to do such a thing.

If what my neighbor is doing with himself and his own property appears wrong or illogical to me, then it would seem certain that what I am doing with myself and my property appears equally wrong or illogical to him. Thus we have the choice between neither one's molesting the other, or fighting it out to determine who shall conform to whom. I choose to follow the course of freedom, to take the first and necessary and logical step toward a relationship of mutual non-molestation.

#### **An Epilogue:**

#### **Let Us Not Despair**

Here follows what seems to me a most encouraging thought for

those among us who despair of liberty.

Freedom will never disappear completely and forever — in Russia or anywhere else. The popular, one-way, "individualistic" concept of freedom will at least serve to prevent that. Since no person wants others to molest *him*, almost every person will rebel against molestation somewhere along the line, even though he may foolishly continue to molest others while he is rebelling against those who are molesting him.

At one time or another, the people of all nations have rebelled against excessive molestation from their own governments. This is as true of the United States as it is of Russia.

These rebellions sometimes bring an increased degree of freedom — that is, a decreased degree of molestation — for a while. Then the rebels, not fully understanding that freedom is a condition of reciprocal nonmolestation, seem inevitably to begin to initiate the same sort of laws against which they themselves rebelled.

They rebel against a tea tax, and then put a tax on tea! They rebel against price controls, tariffs, and other restraints on trade; then they re-establish price controls, tariffs, and the various other restraints on trade! They rebel against the idea of government-

granted special privileges to certain persons and groups, and then demand special privileges from government for themselves and their particular groups! They rebel against Siberia for political prisoners, and then send political prisoners to Siberia! They rebel against the Bastille, and then put the guillotine in its place!

Even so, the ideas of human freedom which have been loosed throughout the world during the past 500 years are now too strong to be completely lost again. While the trend of the past 50 years has been toward more government and less freedom, there is no reason to assume this will continue forever.

### ***Peace and Freedom Depend on Individual Determination***

In order for the highest ideas and ideals of mankind to prevail generally, it seems obvious that a condition of peace and freedom is required—a society wherein no person molests any other person; a society wherein no person prevents any other person from developing his creative potentialities to the fullest extent of his understanding and ability.

This desirable state of affairs will not occur all at once. It will grow only as freedom is understood and as faith in it is restored. If one person decides today to

practice freedom, the evolutionary process in human relationships will move forward one more step. That is the only possible path to freedom—a peaceful change in thought and understanding and action among individual persons.

Anyone can begin the practice of freedom whenever he chooses to do so. It is easy, and one need not wait upon other persons to agree before he begins. No committee resolutions or elections or laws are needed for a person to begin the practice of freedom. One need merely resolve not to impose his will—legally or illegally—upon his peaceful fellow men in their religions, their economic theories, their attitudes, their morals, their mores, or whatever. And then start to practice it.

### ***Set an Example***

But suppose that “scoundrel next door” takes advantage of your faith in freedom and begins molesting peaceful you? Well, you will discover two things: First, your neighbor is just as convinced that you won’t voluntarily “do the right thing” as you are convinced that he won’t voluntarily “do the right thing.” Second, when your words and your actions have convinced your neighbor that you have no designs upon him or his, he will admire you so much that he will eventually ask you ques-

tions to find out how you got that way — and then he is ready to hear out your ideas on freedom. A clear and simple and consistent explanation from you may cause him also to practice freedom — that is, to stop advocating laws to force other people to do what *he* believes they should do.

Might there not be exceptions? Probably so. But it isn't too important. If a person is busily en-

gaged in minding his own business instead of imposing his ideas and viewpoints upon others, he will be pleasantly surprised at the increase in his own spiritual and physical and material well-being. In addition, if he recognizes a moral obligation to be a good neighbor and citizen, this personal practice of freedom would also seem to be the most effective approach to that desirable goal. ♦

## A Tale of TWO WORDS

DEAN LIPTON

HOW FUTILE are words among those who do not understand their meaning!

"We all declare for liberty," said Lincoln, "but in using the same word we do not all mean the same thing." Nor do we all mean the same thing by our words for those two important aspects of liberty: *rights* and *equality*.

A hundred and thirty odd years ago young Benjamin Disraeli was

standing for Parliament. This grandson of a Venetian Jew would one day become Prime Minister of Queen Victoria's England. But that was far in the future, and his immediate task was to defeat a liberal opponent. He told the solid country folk of his constituency: "I prefer the liberties we now enjoy to the liberalism they profess, and find something better than the Rights of Man in the Rights of Englishmen."

There were, of course, many in Disraeli's day as there are today

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Mr. Lipton of San Francisco has been a newspaperman and Army Historian whose articles have appeared in numerous magazines.

to see in these words a lack of compassion; here was a young man obviously unconcerned with the rights of anyone but an Englishman. Anyone referring in our time to the "rights of Englishmen" (or of Americans) surely would be denounced for negating or downgrading the rights of less-developed peoples of Asia or Africa or South America.

### **What Disraeli Knew**

Now, none of this would be true. To begin with, Disraeli—more than most men—knew the meaning of words. He knew and understood the ideas inherent in the history of his Jewish ancestors and also was well versed in the history and traditions of Anglo-Saxon England. Aside from his political ambitions, he was a writer of brilliant, witty, and incisive political and social novels which explored the foibles, weaknesses, and strengths of the society and politics of the England of his time.

Although Disraeli doubtless would have favored extending the "rights of man" to men everywhere, he knew that this would mean little until all men agreed on what those rights were. To a Zulu chief in Africa, who could order a thousand men to leap over a cliff to demonstrate his power, the phrase would have a meaning

not understood by Disraeli's constituents. Nor would it have meant the same thing to a French revolutionary leader like Robespierre or St. Just, who wrote about the "rights of man" with one hand while signing his daily quota of warrants for the execution of "enemies of the state" with the other.

Every dictator or king or emperor professes to rule for the benefit of the people. For instance, "divine right of kings" meant to the people of medieval Europe that the king was ordained by God to protect their rights and thus possessed a divine right to rule. That few kings ever concerned themselves with the rights of their subjects is quite another matter. History, of course, records that the kingly attitude usually ranged from negligence and carelessness to the most callous brutality. Still, the theory was the "rights of man," in a different costume.

All of this, Disraeli knew. So it was natural that he preferred the "Rights of Englishmen" to the "Rights of Man." He was taking nothing away from the savage power of a Zulu chief or a revolutionary leader or an advocate of absolute monarchy or dictatorship. Nothing he could say would influence them. But he knew that the "Rights of Man" was too general and meant too much to mean

anything. On the other hand, the "Rights of Englishmen" was a specific term, tied to the history of a single people.

### **Magna Charta — 1215**

What, then, did it mean? To anyone conversant with English history, its meaning was clear. An Englishman's rights had been wrested from King John by the Barons on a memorable June day in 1215 at Runnymede when they forced him to sign the Magna Charta. True, these were rights at first to be granted the nobility versus the crown. Yet, in the ensuing centuries, they were broadened to more nearly encompass all Englishmen.

Even as civilized a nation as France had no history of successful parliamentary struggle against the ruling monarch. But the England of that day could look back to a Parliament that had revolted against Charles I, demanding the right to tax as the representatives of the people, and insisting that this was the people's right, and not the right of the royal house.

But Disraeli also would have known that while these "Rights" extended to most Englishmen, they by no means extended to all of them; history in its boundless inconsistency had placed certain political restrictions on English

Catholics and Jews. Disraeli, whose father was a convert to the Church of England, could avoid those restrictions; but most Jews and Catholics could not. One of Disraeli's historic functions would be to help make these rights uniform, to aid in the fight to apply them to all Englishmen.

### **In the Name of Equality**

Within the category of rights, another word which has rung down the historical corridors is "equality." We are destined in our time to hear much more of it. This word has struck a chord in the imaginations and has been used by all kinds of men from the most admirable to the most vicious. The Chinese Communists proclaimed it as their legions poured through the mountain passes to slaughter peaceful Tibetan villagers. Peaceful men have urged it upon their neighbors, and violent men have shouted it as they squeezed the triggers of scatter guns. Nearly eighty years ago, socialistically-inclined Edward Bellamy wrote about a utopian society of the future in a novel entitled *Looking Backward*. And the word he chose as title for its sequel, written nine years later, was *Equality*.

The meaning of the same word to different men can best be judged by comparing the ideas of two historically important figures:

the Virginia aristocrat, Thomas Jefferson, and the French lawyer-turned-revolutionary, Maximilien de Robespierre. What did "equality" mean to each of them? It was a word they both liked and often used. But a glance at the slogans commonly associated with their names will show that they were talking and writing about two different things.

Thomas Jefferson, a brilliant stylist but not always a clear writer, wrote in the *Declaration of Independence*: "All men are created equal."

The French Revolutionary slogan promoted by Robespierre and his followers was: "Liberty, Equality, Fraternity."

However, Jefferson then went on to point out that all men were created equal in the exercise of certain rights: Life, Liberty, the Pursuit of Happiness. Governments, in his words, were instituted to protect those rights; by implication, that was where government's legitimate function began and ended. Quite obviously, he did not believe that all men were equal. The logic of Jefferson's position was that men were born with differing strengths and weaknesses, and that even in such external conditions as material well-being, some were born luckier than others. Equality, in this sense, is concerned with the rights

of people, and not with people per se. They are equal because these rights belong to all men, not just to some of them.

### ***Fraternal Equality Under the Guillotine***

The equalitarian concept inherited from the French Revolution—from men like Robespierre—is different in kind as well as degree. This equality is fraternal, and "fraternity" in the trinitarian slogan of the French Revolutionists became a meaningless extra word. It meant what it said: All men are equal. This is meaningless because it is untrue. Men are not equal. Some are born with greater intelligence than others. Some have mechanical aptitudes while others have verbal aptitudes. The simple fact is that the son of a Soviet commissar is born luckier than the son of a Mongolian herdsman.

Now, if anyone had the choice under which system of equality to live, he would do well to consider a fascinating historical contradiction. Contrary to what one might suppose, the lives and liberties of men have been far more secure where their individual inequalities have been admitted and where they were "equal" only insofar as they were subject to the law. Take, for instance, a farmer in Virginia during colonial revolutionary

times when Thomas Jefferson was governor of the state and measure his lot against that of a peasant during the time of Robespierre. The farmer may not have been the intellectual equal of Jefferson. He may have lacked many of the material comforts that Jefferson had taken for granted since birth. However, in the exercise of his natural rights, he was Jefferson's equal; and with all of the powers of his office, Jefferson could do nothing to diminish those rights in the slightest degree.

The French peasant was told again and again by the leaders of the state that he was the equal of any man. There were no ranks and no titles. He was plain Citizen Peasant to all who knew him. And Robespierre was plain Citizen Robespierre to everyone from his closest associates down to the least significant man among Paris' huddled masses. But what did this equality mean in practice? Citizen Peasant could be dragged from his home and family, thrown into

a crowded cell, charged with a vague and specious crime "against the state," and tried before a peremptory court of zealots. Conviction was almost certain. Execution in barbaric manner was equally certain.

No, men are not equal. Nor do all men mean the same thing when they declare their *equality* and claim their *rights*. For our own understanding of these words, let us hearken to that earlier document, which Jefferson doubtless had in mind. The *Virginia Bill of Rights*, published June 12, 1776, clearly and bluntly says: ". . . all men are by nature equally free and independent, and have certain inherent rights, of which, when they enter into a state of society, they cannot by any compact deprive or divest their posterity; namely, the enjoyment of life and liberty, with means of acquiring and possessing property, and pursuing and obtaining happiness and safety." ♦

#### IDEAS ON LIBERTY

### *De-fuse the Bomb*

THOSE who are concerned over a population explosion of too many people for the amount of food they will produce, are projecting the present results of our welfare state into the future and are ignoring the limitless potential of free enterprise.

PAUL L. FISHER  
Redondo Beach, California

## The Third World War

JAMES BURNHAM has been talking sense about the Cold War for two decades and more. As his *The War We Are In: The Last Decade and the Next* (Arlington House, \$6.00) proves, he has not always been pessimistic about the chances of the West. This book consists for the most part of selections from his *National Review* column which runs from fortnight to fortnight under the general heading of "The Third World War," but he has added several interpretive essays and a final chapter on "The Decade to Come." Since he views the world struggle as a contest of wills that has yet to be settled, he is not really saying that the West is hell-bent on self-destruction as the title of one of his recent books—*The Suicide of the West*—would seem to imply. If Burnham is always braced against seeing things in a rosy light, he is still optimist enough to know that things may turn out better if you are resolved to go down fighting.

The essential feature of Burnham's thinking is his belief that communist policy, far from being a riddle inside an enigma wrapped in a mystery, is perfectly clear. All true Marxist-Leninists, he says, believe that capitalism is doomed and that it is the duty of communists of whatever persuasion to give the tottering structure of the West a push whenever it is safe to do so. Communists may bicker among themselves, and behave in "polycentric" fashion even to the point of seeming to be nothing more than good nationalists, but communist countries have not yet engaged in such suicidal struggles as brought capitalist Europe to the verge of dissolution in 1914-18 and 1939-45. When the United States, which both Moscow and Peking regard as their prime enemy, finds itself in trouble (as in the Dominican Republic, Cuba, and Vietnam), communists of all persuasions form an effective "united front

from below" to back whatever Leftist faction is fighting us.

Burnham has had his manifold disappointments in the journalistic battle which he continues to wage with unabated dedication. He had hoped that the European Common Market would somehow broaden into an Atlantic World Common Market. He had hoped that the French would find some way of keeping Algeria inside a greater French Republic. He was appalled when Eisenhower and Dulles let the English, the French, and the Israelis down in the first Suez crisis, and predicted, quite rightly, that other Middle Eastern and African troubles would flow from the failure of the West to act as a unit to keep the Mediterranean-Red Sea artery open on its own terms. Looking back on the Bay of Pigs in Cuba and the aborted Hungarian Revolution of 1956, Burnham is haunted by the "might-have-beens." But still he hopes that the tide will be turned, possibly by U.S. fortitude in "holding the pass" in Southeast Asia.

### ***Bumbling Brinkmanship***

Burnham is particularly good when he discusses the "evasion formulas" that are forever bemusing western statesmen. In 1917 the West thought that Lenin was too "crackpot" to make his Bolshevik Revolution stick. But the "crack-

pots" defeated western interventionists and consolidated their rule. In the thirties the Popular Front with the communists was going to keep Hitler from going to war. But the Popular Front somehow ended up by being replaced by the Hitler-Stalin Pact. The rise of Stalin was supposed to betoken the end of Trotsky's theory of the Permanent Revolution. But Stalin's "socialism in one country" did not preclude the success of Mao Tse-tung's revolution in China, or the seizure, by the Red Army, of the Baltic States and the countries that became the "captive nations" of Eastern Europe.

In China they spoke of Mao's "Jeffersonian agrarianism," but Mao eventually blossomed forth as the philosopher of the guerilla encirclement of capitalism via seizure of "rural" Asia, Africa, and Latin America. The Red Chinese "Jeffersonian agrarians" fought us to a standstill in Korea, and are now busy reassuring Ho Chi Minh in North Vietnam that they support him in his refusal to reach any compromise with the "imperialists" short of complete evacuation of South Vietnam by U.S. troops. The communists have even smashed the Monroe Doctrine, gaining immunity for Castro in Cuba in return for their withdrawal of offensive atomic missiles.

This, as Burnham says, is "the record" of the past. As for the future, Burnham is perfectly sure that de Gaulle will never succeed in putting together a "Europe of the fatherlands" stretching from "the Atlantic to the Urals." Such a Europe would inevitably be dominated by the Soviets, who have an atomic arsenal. As for the emergence of a third power in "little Europe," it is blocked by de Gaulle's animus against political integration.

### ***International Policies***

Burnham has traveled extensively in Africa and southern Asia, and he has observed that the populations of the underdeveloped countries keep on rising faster than the food supply. He fears that the "Third World" of the old colonial areas must choose between the rival "neo-colonialisms" of the West and the Communist East if they want military security, investment, and technical assistance. As applied to the policies of the West, he does not use the adjective "neo-colonial" in any pejorative sense. He thinks that Africa and Asia will get a better break from the West than from the Communist East for several reasons. First of all, the West is willing to accept the formal independence and autonomy of its old colonies. Secondly, its economic aid is likely to

be more efficient, particularly if it is left to free enterprise. Third, its sea and air power is more mobile than any force which the Soviets and the Red Chinese would be able to deploy to protect a country far from Russia or Red China.

Burnham is perfectly willing to agree with George Kennan that the "blocs" have been loosened, that Titoism has resulted in "polycentrism," that the Moscow communists and the Peking communists have split, that the East European countries are straining for freedom from Muscovite leading strings, and that nationalism is the main propelling force in most of the newly emergent "Third World." But, unlike Kennan, he thinks the best way to take advantage of communist troubles is to keep the pressure on. If the Soviets are being assailed from within by their intellectuals, why should we strengthen the hands of the ruling clique that would repress those intellectuals? If Red China is on the verge of chaos, why should we give the Maoist tyrants the endorsement of inviting them into the UN?

"If," says Burnham in a forceful conclusion, "if our experts and policy-makers devoted one-tenth the attention and energy" to exacerbating the struggle between factions within the communist world that they now "lavish on polycentrism and Sino-Soviet di-

alectics, they might discover levers which, properly handled, could bring down the communist enterprise." Burnham has had a good record of spotting such levers in the past, only to see his advice ignored. The publication of his *The War We Are In: The Last Decade and the Next* is in itself a "lever," provided that it can be gotten into enough hands. ◆

▶ THE RECONSTRUCTION AMENDMENTS' DEBATES, Virginia Commission on Constitutional Government, Richmond, Virginia, 1967, 764 pp., \$4.50 (\$3.00 paperbound).

*Reviewed by George Charles Roche III.*

FROM TIME TO TIME, the Virginia Commission on Constitutional Government makes available valuable materials pertinent to the subject of American federalism, states' rights, and related problems. *The Reconstruction Amendments' Debates* is a significant addition to that literature. As the Commission makes clear in its introduction, the thirteenth, fourteenth, and fifteenth Amendments to the Constitution today provide the basis for approximately one half of the constitutional law litigation reaching the United States Supreme Court. Such matters as school desegrega-

tion, legislative reapportionment, voting rights, restrictions on state criminal procedure, and restraints upon the economic self-control of the states fall into this category.

Some 20,000 pages of debates and committee reports serve as the basis for this compilation. The volume is indexed by subject and by legal cases, and also contains a biographical index of House and Senate participants in the debates which led to the Amendments. Every page specifies the session of Congress, the dates and the original page numbers of the *Congressional Globe* from which the material was drawn, as well as the names of the speakers and the topics under discussion.

*The Reconstruction Amendments' Debates* should have great utility for all libraries as well as for all those whose professions or interest touch upon the relationship between state and national government. An understanding of the original attitudes and opinions of those drafting the legislation, set in its historical perspective, is surely an indispensable aid in understanding the complex intergovernmental problems of our time. Copies may be procured from the Virginia Commission on Constitutional Government, 1116 Ninth Street Office Building, Richmond, Virginia, 23219. ◆

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Prepared by BETTINA BIEN of the Foundation staff

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